SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2007 Report
Volume 1

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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SASKATCHEWAN

2007-04756/

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May 4, 2007

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2007 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2007 Reports

In 2007, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  www.auditor.sk.ca
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
- write, phone, or fax us at:

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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2006 Financial Statements of CIC Crown Corporations and Related Entities: April 2007*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2006 Calendar Year: April 2007*

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information the Legislative Assembly receives from government agencies. We do this by independently auditing all government agencies and reporting our results and recommendations to the Legislative Assembly.

The Government delivers its services through about 270 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers about 140 agencies.

Since we last reported in the fall of 2006, our work has centered on three areas. These areas are:

- financial audits of agencies with December 31, 2006 year-ends
- financial audits of agencies with March 31, 2006 year-ends that were not completed in time to report in Volume 3 of our 2006 Report
- in-depth audits of key risks the Government faces

The following is a brief summary of the results and advice contained in this report.

Agencies with December 31, 2006 year-ends

Crown Investments Corporation of Saskatchewan (CIC) and its related agencies (e.g., SaskPower, SaskEnergy) make up about one third of all government agencies.

We found that for the year ended December 31, 2006, CIC and its related agencies:

- had reasonable practices to safeguard public resources
- complied with governing authorities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- had reliable financial statements

The other agencies with December 31, 2006 year-ends also had reliable financial statements. However, for some Department of Finance agencies,

we had concerns with their practices to safeguard public resources and their compliance with authorities governing their activities.

Agencies with March 31, 2006 year-ends

The Department of Corrections and Public Safety lost trust money belonging to inmates and young offenders. The Department needs to ensure that staff follow established policies.

Saskatchewan Association of Health Organization's (SAHO) policies and procedures were not adequate to properly protect its bank accounts from misuse. While we found no losses, conditions existed that could have resulted in the misuse of money.

The Department and SAHO need to fix these problems promptly.

Key risk audits

Over the last several months, we have carried out a number of in-depth audits related to key risks that government agencies face. These risks relate to how these agencies manage the forces and trends that influence them. The forces and trends include advancing technologies, managing infrastructure, pressures on the environment, population changes, and managing for and demonstrating results.

Saskatchewan Government Insurance (SGI) and Saskatchewan Indian Gaming Authority (SIGA) need to improve their project management practices. SGI is developing a $35 million computer system for the Auto Fund. SIGA is developing a $60 million casino at WhiteCap Dakota First Nation.

SaskTel needs to improve the management of its intellectual property. It needs an overall plan for intellectual property. SaskTel also needs processes to comply with intellectual property rights it acquires from others.

The Department of Agriculture and Food uses many good practices to regulate and control pesticides. However, it needs to do an overall risk assessment to guide its activities.

The Workers' Compensation Board has good practices to ensure that in the future it will have people with the right skills in the right place to deliver its services. Employers expect a shortage of workers in the future. Finding and keeping qualified employees will be a greater challenge.

Managing for results by focusing on achieving planned outcomes is an effective way to manage. Five Hills Regional Health Authority's culture is outcome oriented and it is increasingly adopting outcome management processes. However, it needs to analyze formally the results it is achieving and use its analysis in its decision-making processes.

Reporting publicly on results improves the management of public resources and informs readers about the complexity of providing public services. Saskatchewan Transportation Company's Balanced Scorecard in its 2006 annual report contains reliable and understandable performance information. The information demonstrates the results STC has achieved. However, STC needs to improve how it prepares the information.

Acknowledgement

The dedicated efforts of the staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Bailey, Brendan
Bell, Kelli
Bernath, Eric
Blelloch, Kevin
Bogdasavich, Michelle
Borys, Angèle
Clemett, Tara
Creighton, Kerri
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Dickin, Deann
Drotar, Charlene
Duran, Jason
Ferguson, Judy
Grabarczyk, Rod
Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Hungle, Angie
Kahovec, Steven
Knox, Jane
Kotylak, Jonathan
Kress, Jeff
L'Heureux, Desirée
Lindenbach, Michelle
Lipoth, Becky
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Mowat, Audra
Nyhus, Glen
O'Quinn, Carolyn
Pattullo, Candice
Ross, Chantara
Rybchuk, Corrine
Schwab, Victor
Shaw, Jason
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Thorson, Angela
Tomlin, Heather
Toth, Stephanie
Volk, Rosemarie
Walker, Sandra
Watkins, Dawn
Wendel, Leslie
Zerr, Jennifer

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Chapter 2—Agriculture and Food

This chapter reports on the adequacy of the processes that the Department of Agriculture and Food (Department) uses to regulate the sale, use, storage, transportation, and disposal of pesticides.

Adequate regulatory processes for pesticides include the following:

- Licensing persons who are educated and trained to handle pesticides
- Providing information on current best practices in safe pesticide use
- Monitoring and enforcing compliance with pesticide control laws
- Reviewing and recommending updates to pesticide control laws
- Reporting on pesticide use and control in the province

The Department had adequate pesticide regulation processes except it has not done an overall risk analysis to guide its activities. As a result, its monitoring and enforcement activities may not focus on areas with higher risks.

To help focus its monitoring and enforcement activities on areas with higher risks, the Department needs to formally analyze the risks that users do not follow the pesticide control laws. It should then develop a monitoring and enforcement strategy to reduce these risks.

Chapter 3—Corrections and Public Safety

The Department needs to follow its policies and procedures to properly safeguard and control money held in trust for inmates and young offenders. We report the Department lost about $25,000 of trust money in 2005-06 and about $18,000 of trust money in 2006-07.

The Department needs to secure and monitor access to its information technology systems and data to ensure the confidentiality, integrity, and availability of its systems and data.

The Department also needs to complete, approve, and test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. In addition, the Department needs to improve its human resource plan to ensure it has the right people, in the

right jobs, and at the right time to meet the Department's goals and objectives.

Chapter 4—Finance

In this chapter, we report that the Public Employees Benefits Agency (PEBA), a division of the Department of Finance, needs to receive timely and accurate information to properly administer employee benefit programs. It needs this information to ensure all employer contributions are received and only eligible employees receive benefits.

PEBA also administers the Municipal Employees Pension Plan for the Municipal Employees' Pension Commission. We report that the Commission needs a written, tested, and approved disaster recovery plan for its computer systems to provide critical services in the event of a disaster.

Chapter 5—First Nations and Métis Relations

In this chapter, we report on the audit of the Métis Development Fund. We also report that the Department of First Nations and Métis Relations has implemented recommendations we made in 2003 about the Aboriginal Employment Development Program. The Department has improved the reliability and consistency of information related to the participation of Aboriginal people in the provincial workforce. It reports progress using trends in the number of Aboriginal people employed by its partners.

Chapter 6—Health

In this chapter, we report the results of our audits of the Saskatchewan Association of Health Care Organizations (SAHO) and eight benefit plans for employees in the health system and an audit at the Five Hills Regional Health Authority.

To safeguard resources from misuse, SAHO must segregate the duties of its employees in the following areas:

- cash receipts and bank deposits
- entries to its accounting records
- agreeing accounting records to bank records

- payments to suppliers
- disability income payments

SAHO needs to strengthen its processes to safeguard the assets of its benefits plans by:

- monitoring the contribution revenue collected from participating members (e.g., regional health authorities)
- preparing and reviewing interim financial statements for the benefit plans
- developing investment policies for its dental, extended health, and group life insurance plans to manage risks and monitor performance
- ensuring payments made by its agent comply with the agreements with the agent and the plan texts

As reported in our 2005 Report – Volume 3, we have audited the processes two departments used to achieve their planned outcomes. As reported in this chapter, we carried out a similar audit at the Five Hills Regional Health Authority.

Focusing on the achievement of planned outcomes is an effective way to manage and is in use worldwide. Agencies within the Government, in recent years, have adopted this management approach. As with any significant change in management approach, we expect that it will take several years to make full use of an outcome-oriented approach.

We anticipated that the Five Hills Regional Health Authority, formed in 2002, would be at an early stage in applying outcome-oriented management processes. Overall, we found the Region has an organizational culture that expects an outcome orientation. Some of its management practices are moving quickly towards an outcome orientation while a few are progressing more slowly.

We recommend the Region formally analyze results (i.e., activities completed and outcomes achieved) and use that analysis to support decisions. We also recommend it use a management development program that includes an outcome-oriented approach.

Chapter 7—Learning

This chapter reports the results of the audit of the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission) for the year ended June 30, 2006.

We report that the Commission needs to do more work to fully address our past recommendations. It needs to develop and implement both a strategic plan and a communication plan. It also needs to approve an adequate information technology plan and information technology policies and procedures based on a threat and risk assessment.

Also, the Commission needs to prepare a written disaster recovery plan for its critical information technology systems and regularly test that plan to ensure it works.

Chapter 8—Liquor and Gaming Authority

In this chapter, we report the results of our audit of SIGA's project management processes for the Dakota Dunes Casino for the period ending December 31, 2006.

We report that SIGA had adequate project management processes to manage the Dakota Dunes Casino project except that SIGA needs:

- adequate project plans and financing prior to starting major work on construction projects
- adequate dispute resolution processes with its key partners on these projects
- to improve construction progress reports it provides to the Board

We make four recommendations to help SIGA improve its project management processes.

Chapter 9—Workers' Compensation Board

In this chapter, we report the results of our audit of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of

the Workers' Compensation Board (Pension Plan) for the year ended December 31, 2006. The WCB administers the Pension Plan.

We concluded that, in 2006, the WCB had adequate processes to safeguard its and the Pension Plan's public resources and had complied with the law. Also, the financial statements for the WCB and the Pension Plan are reliable.

In this chapter, we also report on our examination, in 2006, of the adequacy of the WCB's succession management processes. We concluded that the WCB had adequate processes for succession management.

Chapter 10—Saskatchewan Government Insurance

In this chapter, we report that the financial statements of Saskatchewan Government Insurance (SGI), its pension plan, the companies SGI owns, and the Saskatchewan Auto Fund (Auto Fund) all for the year ended December 31, 2006 are reliable. SGI had adequate processes to safeguard its public resources, resources of the pension plan, companies it owns, and Auto Fund. In addition, SGI complied with authorities governing its activities and the activities of its pension plan, companies it owns, and Auto Fund.

This chapter also reports the results of our audit of SGI's project management processes for Auto Fund's Redevelopment Project for the year ended January 31, 2007. The Auto Fund Redevelopment Project is a significant investment in information technology that SGI will use to deliver Auto Fund products (e.g. vehicle insurance and registrations). We concluded that SGI had adequate processes to manage the project except that it needs to:

- monitor the benefits it expects
- document its risks, security, and communication strategies

We make two recommendations to help SGI improve its project management practices.

Chapter 11—Saskatchewan Telecommunications Holding Corporation

Many of SaskTel's activities and services involve the use of intellectual property. Without appropriate rights to use—and protection of intellectual property—SaskTel would not be able to effectively carry on its businesses.

This chapter reports the results of our audit of how well SaskTel manages that intellectual property. SaskTel had adequate processes to manage intellectual property at November 30, 2006, except it should:

- develop a plan for managing intellectual property
- include intellectual property issues in its risk management framework
- consistently document intellectual property agreements with its subsidiaries
- establish centralized responsibility for maintaining original contracts
- implement a system to assist it to comply with the intellectual property rights it has acquired
- monitor its progress in achieving its plan for managing intellectual property

We also report the follow-up of our audit of SaskTel's governance of owned and controlled companies. SaskTel has addressed our recommendations.

Also, for the year ended December 31, 2006, SaskTel and its related companies and pension plan had reliable financial statements, had adequate processes to safeguard public resources, and complied with authorities governing their activities.

Chapter 12—Saskatchewan Transportation Company

Reporting of results is evolving both within agencies and publicly. Meaningful information about results helps management, boards of directors, and legislators carry out their oversight responsibilities.

Users also want to know if they can rely on the information included in annual reports. Auditing performance information fosters accurate,

complete, and credible reports and helps agencies improve the processes used to prepare these reports.

Saskatchewan Transportation Company (STC), in common with other Saskatchewan agencies, continues to provide better information on its performance to legislators and the public in its annual reports.

In this chapter, we report on the results of our audit of STC's performance information (called the 2006 Balanced Scorecard) included in its 2006 Annual Report. We are pleased to report that STC's 2006 Balanced Scorecard is prepared in accordance with the reporting principles of reliability, understandability, and consistency. STC's 2006 Annual Report includes our unqualified audit opinion on its Balanced Scorecard.

Also, we make two recommendations to help STC improve the processes it uses to prepare information presented in its balanced scorecard reports.

Chapter 13—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations; supply and services; central agencies; liquor; gaming; and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. The Government has implemented most of the Committee's recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

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Agriculture and Food

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Main points

This chapter reports on the adequacy of the processes that the Department of Agriculture and Food (Department) uses to regulate the sale, use, storage, transportation, and disposal of pesticides.

Adequate regulatory processes for pesticides include the following:

- Licensing persons who are educated and trained to handle pesticides
- Providing information on current best practices in safe pesticide use
- Monitoring and enforcing compliance with pesticide control laws
- Reviewing and recommending updates to pesticide control laws
- Reporting on pesticide use and control in the province

The Department had adequate pesticide regulation processes except it has not done an overall risk analysis to guide its activities. As a result, its monitoring and enforcement activities may not focus on areas with higher risks.

To help focus its monitoring and enforcement activities on areas with higher risks, the Department needs to formally analyze the risks that users do not follow the pesticide control laws. It should then develop a monitoring and enforcement strategy to reduce these risks.

Introduction

The mandate of the Department of Agriculture and Food (Department) is to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector. Working with individuals, businesses, communities, and governments, the Department assists farmers and ranchers, encourages higher value production and processing, and promotes sustainable economic development in rural Saskatchewan.[1]

The Department is responsible for fifteen special purpose funds and Crown agencies. All, except for Milk Control Board, have a March 31 year-end. Milk Control Board has a December 31 year-end. In Chapter 11 – Agriculture and Food of our 2006 Report – Volume 3, we reported the results of the audits of the Department and fourteen of its fifteen funds and agencies with March 31, 2006 year-ends.

In this chapter, we report on the results of our audits of the Milk Control Board and the Department's regulation of pesticides.

Our audit conclusions

In our opinion, for the year ended December 31, 2006:

- Milk Control Board had adequate rules and procedures to safeguard public resources
- Milk Control Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- Milk Control Board's financial statements are reliable

In the next section, we report on the adequacy of the Department's processes for pesticide regulation.

[1] Saskatchewan Department of Agriculture and Food. (2006). *2006-07: Saskatchewan Provincial Budget Performance Plan: Saskatchewan Agriculture and Food*. Regina: Author. page 2. www.agr.gov.sk.ca/docs/programs_services/agriculture0607plan.pdf

Pesticide regulation

The Department is responsible for regulating the application of pesticide products in both agricultural and non-agricultural industries.[2] Non-agricultural industries operate in both urban and rural settings and include landscaping and greenhouses. Regulating agricultural application of pesticide products is one of the Department's key functions.

Pesticides are products, methods, or organisms that control pests. Examples include chemicals used to control weeds, insects, and other pests in both agricultural and urban settings. Pesticides include herbicides, insecticides, fungicides, and rodenticides.[3]

Pesticides help to maintain Canada's food supply by protecting food crops from disease and pests. Saskatchewan's farmland covers over 65 million acres—about 40% of Canada's arable land. In any given year, 35-46% of Saskatchewan's farmland will receive an application of pesticide.[4] Carrying out farming and processing practices in an environmentally sound manner is important to protect soil and water resources.[5]

Many pesticides are applied to food products to improve production or quality. In some instances, residues of these pesticides can remain in or on treated foods. Pesticides are also used for aesthetic purposes (e.g., kill dandelions in lawns). Applying pesticides in urban settings (e.g., landscaping and commercial use) increases the likelihood of human exposure to pesticides.

Regulating the sale and use of pesticides helps to protect human health and the environment. Training of those who sell and use pesticides along with effective regulation minimizes risks associated with pest control products, while giving producers and the public access to effective pest management tools and strategies. It helps agricultural production in Saskatchewan to occur under safe and environmentally sustainable

[2] Saskatchewan Department of Agriculture and Food, *2006-2007 Saskatchewan Budget - Performance Plan, Saskatchewan Agriculture and Food*, Regina, Author

[3] Herbicides control weeds; insecticides control insects; fungicides control mould and fungi; rodenticides control rodents.

[4] Department of Agriculture and Food: Pesticide Practices and Trends

[5] Saskatchewan Department of Agriculture and Food. (2006), *Annual Report, 2005-2006 Saskatchewan Agriculture and Food*. Regina: Author

conditions. It also supports consumer confidence in food safety, health safety, and environmental protection.

The Pest Control Products (Saskatchewan) Act makes the Department responsible for pesticide management and regulation. The Department must regulate the sale, use, storage, transportation, and disposal of registered pesticides. The measures it adopts must be consistent with conditions, directions, and limitations imposed by the federal *Pest Control Products Act* and other federal legislation. The Federal Government determines which pesticides can be used for what, registers them accordingly, sets requirements for labels on pesticide products that guide their use, and dictates how these products are to be used.

The law does not require individuals who apply pesticides on land that they own or rent to obtain pesticide licences. If these individuals hire another person to apply pesticides to their land, then the law requires the applicator to be licensed.

Laws related to pesticides group pesticide products into three categories:

- Restricted products—are the most concentrated and most toxic; a licence is required to purchase and apply them (e.g., fumigants).
- Commercial products—may also be very toxic; only licensed vendors may sell them. They are not for home (domestic) use.
- Domestic products—are the least toxic; retail stores may sell them for use in homes and gardens.

Our audit objective and conclusion

The objective of this audit was to assess the adequacy of the Department's processes for pesticide regulation for the 12-month period ending January 31, 2007.

To do this work, we followed *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. We assessed the Department's processes against the criteria summarized in Exhibit 1.

Criteria outline our expectations. We developed the criteria based on our review of relevant literature and criteria used by other legislative audit offices. The Department agreed with the criteria.

Exhibit 1—Pesticide regulation audit criteria

To have adequate processes for pesticide regulation, the Department should:

1. License persons who are educated and trained to handle pesticides
2. Provide information on current best practices in safe pesticide use
3. Monitor and enforce compliance with pesticide control laws
4. Review and recommend updates to pesticide control laws
5. Report on pesticide use and control in the province

For the 12-month period ending January 31, 2007, the Department had adequate pesticide regulation processes except it has not done an overall risk analysis to guide its activities. As a result, its monitoring and enforcement activities may not focus on areas with higher risks.

Findings by criterion

The following describes our expectations in italics under each criterion noted above and sets out our main findings for each.

License persons who are educated and trained to handle pesticides

To license persons who are educated and trained to handle pesticides, we expected the Department to:

- *require pesticide vendors and applicators to obtain approved training before licensing them*
- *require licences and training programs to be updated frequently*
- *encourage those exempt from licensing to receive education and training*

The Department has a well-designed licensing process for pesticide applicators, businesses employing applicators (services), and vendors. It

has set 14 classes of licences that reflect types of pesticide application. It issues about 3,200 licences each year (1,900 – pesticide applicators, 800 services, 500 – vendors).

The Department requires all persons applying for an annual vendor or applicator licence to provide evidence that they have passed an approved training course within the past five years. It uses a computerized database to track key information about all approved licences and to monitor their status.

Training is recognized internationally as a way to reduce risk surrounding pesticide use. The Department's training framework sets minimum knowledge requirements for those who sell and use pesticides, common terminology, and certification criteria.

The Department participates in the Federal, Provincial, Territorial Committee on Pest Management and Pesticides (committee). This committee provides coordination, advice, and direction on programs, policies, and issues concerning pest management and pesticides. Through its various working groups, the committee studies related issues.

For example, its Pesticide Education, Training and Certification Working Group (working group) develops and promotes effective, high quality pesticide education, training, and certification standards. The Department, along with Saskatchewan Institute of Applied Science and Technology (SIAST), are members of this working group. This working group develops and regularly updates the training programs for the different pesticide categories and licences. The committee has developed a National Standard for Pesticide Education, Training and Certification.[6]

The Department has adopted this National Standard in selecting and developing training necessary for pesticide licensing in Saskatchewan (approved training courses). It works with SIAST to develop provincial specific information for the various courses. SIAST provides the approved pesticide training courses for the province. In addition, the Department has reciprocal agreements with other provinces to recognize some of their training courses. The working group approach facilitates this

[6] The Standard for Pesticide Education, Training and Certification in Canada (referred to as the National Standard) is a series of documents which outline the structure and criteria for provincial/territorial certification programs.

reciprocity of training between provinces. In common with other provinces, approved training expires after five years.

As pesticide licences expire yearly, the Department requires licensees to renew their licences each year. This annual renewal process helps the Department to keep current information about each licensee (e.g., type of pesticide use and the date of training).

The Department sends renewal notices and reminders to all licensees prior to expiration. The notices indicate the type of licence and the status of the licensee's related training (e.g., when licensee must take additional training). To renew, the licensees must return the notices with any updated information and the fees; otherwise their licence automatically expires.

To promote education to all persons who apply pesticides, including those who are exempt from licensing, the Department makes information about common problems and products readily available through various methods. For example, the Department's website contains an abundance of information related to pests and pest management and includes links to other resources (e.g., its Guide to Crop Protection).[7] It also contributes articles to publications that target persons who apply pesticides (e.g., the Western Producer).

Provide information on current best practices in safe pesticide use

To provide information on current best practices in safe pesticide use, we expected the Department to:

- *facilitate access to current information*
- *provide guidance in clear language*
- *identify accessible experts*

The Department facilitates ready access to current information on pests and pest and soil management primarily through its website, various publications available at its locations and from its websites, its toll-free phone line, and its staff.

[7] http://www.agr.gov.sk.ca/docs/production/cropguide00.asp

The Department has recognized the importance of the safe use of pesticides, making sure information is not only accessible but also understandable. The Department has developed clear and understandable information or identified quality information from other agencies with related expertise and resources. For example, its website includes a section on "frequently asked questions" by season (e.g., summer–pesticide application and choosing the right nozzle). Users without specific pesticide training or extensive knowledge of science should be able to understand the information.

The Department has focused on developing and updating information of specific interest or relevance to Saskatchewan. For example, it has produced reference material that helps the public to avoid cases of pesticide drift into neighbouring gardens, dugouts, and forage crops. It has also developed information to help farmers control insects (e.g., insect identification, methods of insect control, crop monitoring techniques, and selection of appropriate insecticides).

The Department notes that primary sources for pesticide specific information are labels on pesticide products. Label application information normally describes effects on germination and impacts to crops, while label restrictions inform the user on environmental impacts and handling requirements. Precautions noted on labels inform the user of health risks and required safety measures. Even though this information is available on pesticide products, the Department reinforces the information through its website and other sources on the Internet.[8]

Also, the Department, through its research branch, funds various pesticide-related research studies at educational institutions. These studies provide current information on practices and pesticide use. It posts these research studies on its website.

Department staff, particularly agrologists, are available for consultation at its Agriculture Knowledge Centre in Moose Jaw and its nine regional Agriculture Business Centres. These offices also provide links to information and other experts (e.g., scientists at Saskatchewan Research Centre).

[8] http://eddenet.pmra-arla.gc.ca/4.0/4.0.asp

Monitor and enforce compliance with pesticide control laws

To monitor and enforce compliance with provincial pesticide control laws, we expected the Department to:

- *administer a compliance monitoring program*
- *inspect facilities that handle pesticides*
- *investigate reported incidents and complaints*
- *take necessary action to enforce compliance*

An effective compliance-monitoring program involves identifying key risks, developing a strategy to address those risks, and periodically re-evaluating the program.

As noted above, the Department regulates the use, handling, and distribution of pesticides in Saskatchewan. The Department's pesticide unit maintains three full-time staff equivalents and a $200,000 budget.

This unit leads the Department's compliance monitoring program. It is responsible for pesticide licensing and monitoring the appropriate use of pesticides. It works with other agencies to monitor and investigate complaints and possible violations (e.g., spills and accidents). These agencies include the provincial departments of Environment, Health, and Labour and various Federal Government departments (in particular, the federal Pesticide Management Regulatory Agency).

To monitor appropriate use, the Department relies primarily on inspections and its investigation of reported complaints and violations. It inspects about 100 licensed vendors, services, applicators, and unlicensed users each year. The Department has appointed one employee as the provincial Pesticide Investigator (who does about 80% of all inspections), and appointed eight other employees as inspectors who may also be called upon to make inspections.

The Department does not use a risk assessment process to guide the nature and extent of its inspection activities. Rather, it bases when and where to inspect on the results of previous inspections, reported complaints, and common concerns. These inspections are supplemented

with random inspections, often in the vicinity of other businesses being inspected.

Without assessing and documenting identified risks, the Department's inspection activities may not be sufficient to detect non-compliance with pesticide control laws and reduce the related risk of human or environmental harm. The Department needs to analyze the risks associated with monitoring and enforcing compliance with pesticide control laws, prioritize those risks, and document the strategy to address those risks.

1. **We recommend that the Department of Agriculture and Food formally analyze the risks that licensees and exempt persons are not following pesticide control laws.**

2. **We recommend that the Department of Agriculture and Food document its strategy to address identified risks associated with monitoring and enforcing compliance with pesticide control laws.**

The Department makes reporting of complaints and incidents accessible to the public through use of a toll-free number, regional offices, and the ability to contact department staff through the website. The provincial Pesticide Investigator is the primary contact for all complaints. The investigator records all complaints in a log together with information about their resolution.

The Department follows up all complaints it receives. Each year, the Department handles about 100 complaints about the improper use of pesticides. These complaints are typically about licensing and pesticides drifting into unwanted areas. Other complaints include off-label use (i.e., used for other than for an approved purpose), improper storage or disposal of pesticides, non-performance, and spray planes.

When an inspection identifies a contravention, the inspector issues a notice identifying the contravention of the law, an order requiring remedial action, and a deadline for the item to be resolved. Typically, remedial actions may include building a fence to safeguard products. The Department rarely suspends or revokes licences.

The inspector follows up on the remedial action to determine if the matter has been corrected. This has been relatively successful for the Department. If sufficient remedial action is not taken, the Department may escalate enforcement actions to court action.

The Act does not contemplate penalties (e.g., fines) without legal action. Penalties dictated by the Act are a fine up to $1,000 or up to 90 days imprisonment or both, upon summary conviction for an offence.

Due to the high costs associated with pesticides and their application in today's environment, penalties currently available under the Act are not always an effective disincentive. Other jurisdictions in Canada and the USA[9] provide regulatory bodies with more flexibility to assess monetary penalties and the ability to impose more punitive penalties than Saskatchewan. The Department should review the nature and adequacy of the penalties in its pesticide control laws.

Review and recommend updates to pesticide control laws

To review and recommend updates to pesticide control laws, we expected the Department to:

- *regularly review and assess regulations*
- *recommend changes so regulations are current*

The Department takes part in the Government's 10-year regulatory review process. Under this cyclical review process, the Department periodically reviews and updates all regulations it administers. The Department last reviewed the pesticide regulations during the 2005 and 2006 fiscal years. This review addressed matters such as consistency with government policy, alternative regulatory choices, feasibility, and understandability. The Department did not propose any substantial changes to the regulations following this review process.

More regularly, the Department can identify suggestions for improvements to the Act and regulations during the Government's annual call for new initiatives or enhancements. The Department recommends changes to laws and regulations to ensure they remain current and effective.

[9] For example, Alberta, Manitoba, and Minnesota, USA.

Report on pesticide use and control in the province

To report on pesticide use and control in the province, we expected the Department to:

- *explain its control framework and processes*
- *report on incidents involving pesticides*
- *report on trends in pesticide use*
- *report on the effects of pesticide use*

The Department uses its website as its primary means to advise the public of its activities on pesticide control.

The legislation provides the basis for the pesticide control work in the province. The website adequately explains the control framework and processes the Department uses to regulate pesticides. The website provides links to the relevant legislation. It also contains information about the licensing and complaint process.

The Department's performance plan and annual report directly link its regulation of pesticide products to its objective of enhancing environmental stewardship. In its annual report, the Department briefly highlights its pesticide activities (e.g., related legislation, types of licences, number and types of licences issued, and number and type of complaints investigated). When significant, the Government has reported incidents, other than complaints, in news releases.

The Department tracks its licensing, inspections, and investigation of complaints. It relies on Statistics Canada to gather and report on trends in pesticide use. Statistics Canada gathers, on a 6-year cycle, information for all provinces on pesticide use in farming including the extent and reasons for pesticides use, use of licensed applicators, as well as use of alternative pest management methods. This allows for some inter-provincial comparisons. However, the level of information the Department needs to perform an adequate risk assessment is not present.

Some other provinces collect and report detailed pesticide trend information about their provinces.[10] The Department has the authority to

[10] Ontario and British Columbia have produced provincial pesticide reports.

request copies of vendor records of all pesticides sold. However, it does not routinely exercise this authority on a province-wide basis. Gathering additional information would provide it with useful information necessary to prepare an overall risk assessment and pesticide regulation strategy. It would also enable the Department to enhance its reporting of information on trends in the quantity and efficacy of restricted, commercial, and domestic pesticides used in Saskatchewan.

As yet, the Department does not track or report on the long-term effects of pesticide use. Rather, it promotes a pesticide management methodology called Integrated Pesticide Management (IPM). IPM is an approach to managing pests that combines biological, cultural, physical, and chemical tools in a way that minimizes economic, health, and environmental risks.[11] IPM has emerged because increased sensitivity to pesticide use, pesticide resistance, and possible improper application limit the effectiveness and benefits of using pesticides. IPM relies on the coordinated use of pest and environmental information and the best available pest management methods to prevent unacceptable levels of pest damage by the most economical means and with the least possible hazard to people, property, and the environment.

[11] Definition from the National IPM Network, US Department of Agriculture, Co-operative State Research, Education, and Extension Service.

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Corrections and Public Safety

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Main points

The Department needs to follow its policies and procedures to properly safeguard and control money held in trust for inmates and young offenders. We report the Department lost about $25,000 of trust money in 2005-06 and about $18,000 of trust money in 2006-07.

The Department needs to secure and monitor access to its information technology systems and data to ensure the confidentiality, integrity, and availability of its systems and data.

The Department also needs to complete, approve, and test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. In addition, the Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, and at the right time to meet the Department's goals and objectives.

Introduction

The Department of Corrections and Public Safety's (Department) mandate is to promote safe communities. It promotes safe communities:

- by delivering effective programs for individuals in conflict with the law, and fire prevention and disaster assistance programs
- through emergency planning and communication, monitoring of building standards, and licensing and inspection services

The Department focuses on activities in four main areas: adult corrections, young offenders programs, licensing and inspections, and protection and emergency services.

The Department's public performance plan set outs its goals and objectives. It reports progress against these goals in its annual report each year. Exhibit 1 sets out its four key goals.

Exhibit 1

1. Communities have the capacity to enhance public safety
2. Re-offending is reduced due to effective program interventions with offenders
3. Government and communities are prepared for emergencies and maintain building and safety standards
4. Safe, healthy and respectful departmental workplaces

Source: *2005-2006 Provincial Budget Performance Plan – Saskatchewan Corrections and Public Safety* (available at www.cps.gov.sk.ca)

Financial overview

In 2005-06, the Department raised revenues of $16.7 million and spent about $140.2 million. About 77% of its revenues are from the Federal Government for cost-sharing programs. Table 1 details the Department's spending. Its *Annual Report 2005-2006* sets out reasons for major differences between its actual financial results and estimates.

Table 1

	Original Estimates [1]	Actual
	(in millions of dollars)	
Central Management & Services	$ 12.8	$ 12.8
Adult Corrections	65.5	68.9
Young Offenders Programs	40.9	40.2
Public Safety	5.3	19.8
Regina Provincial Correctional Centre	3.9	4.9
Capital asset acquisitions	(5.3)	(6.5)
Capital asset amortization	0.1	0.2
	$ 123.2	$ 140.2

Audit conclusions and findings

In our opinion, for the year ended March 31, 2006:

- the Department had adequate rules and procedures to safeguard public resources except as described in this chapter
- the Department complied with the authorities governing the Department's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter

Control of cash and bank accounts needed

The *Financial Administration Manual* requires departments to follow certain policies and procedures for handling cash and managing bank accounts. *The Correctional Services Trust Account Regulations* sets restrictions for the use of trust money and requires adequate accounting records for trust money. The Department needs to follow its policies and procedures to comply with these authorities and to control money held for inmates and young offenders.

[1] Saskatchewan Finance, *Saskatchewan Estimates 2005-06*. The Estimates' total does not include the additional $20 million authorized through the *2005-06 Saskatchewan Provincial Budget - Supplementary Estimates* for Corrections and Public Safety (Vote 73).

The Department's policies and procedures require its staff to agree (reconcile) its recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges to the bank account are proper and all money has been received and deposited in the right account. It also provides a check on the accuracy and reliability of the Department's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money quickly.

At March 31, 2006, the Department held cash of $343,000 on behalf of inmates and young offenders in 30 different bank accounts.

In 2005-06, the Department did not reconcile its bank accounts for inmate trust monies promptly. It did not complete and review some bank reconciliations for several months. Some bank reconciliations were not completed accurately as staff did not know how to prepare the reconciliations and their supervisors did not adequately review the reconciliations. At March 31, 2006, the Department had properly reconciled all bank balances to the bank records.

In September 2005, the Department followed up on complaints from inmates of a correctional facility that their account balances appeared to be misstated. The Department found that a staff member was not making timely deposits or completing the bank reconciliations. The Department investigated the matter and found about $25,000 of inmates' money was missing. The staff member was terminated in March 2006. The Department has referred this case to the RCMP for investigation.

Also, the Department did not adequately segregate key functions for managing trust accounts in all young offender branches. A separation of key functions reduces the ability of staff to commit and conceal fraud or error in the normal course of their duties. In July 2006, the Department discovered that a staff member was allegedly writing fraudulent cheques to herself from young offender accounts. This person had incompatible duties (i.e., access to the accounting records, blank cheques, the bank statement including cancelled cheques returned by the bank, and prepared the bank reconciliations). The Department investigated the matter and found about $18,000 missing. The staff member was

terminated in July 2006. The Department has referred this case to the police for investigation.

1. We recommend the Department of Corrections and Public Safety follow its policies and procedures to promptly reconcile its recorded bank balances to the bank's records.

2. We recommend the Department of Corrections and Public Safety segregate the duties of staff so that one staff member cannot record payments in its accounting records to suppliers, access blank cheques, and prepare bank reconciliations.

Management told us that the Department is monitoring, assessing, and updating systems and controls to reduce the risk of loss of public resources.

Information technology security needs strengthening

The Department needs strong security to protect its information technology (IT) systems and data.

The Department has some security policies including controls for managing physical security and for making its IT systems available when needed. However, the Department needs to follow its policies and procedures for removing user accounts and monitoring network security. It also needs to promptly update and maintain its systems against known security risks (e.g., it needs to monitor firewalls).

Without strong security processes, the Department cannot ensure the confidentiality, integrity, and availability of its systems and data.

3. We recommend the Department of Corrections and Public Safety secure and monitor access to its information technology systems and data.

Business continuity plan required

The Department needs a written, tested, and approved business continuity plan.

A business continuity plan helps an agency to respond to incidents, accidents, and disasters that could affect the normal operations of the department's critical operations or functions.

The Department provides several critical services including adult corrections, young offender programs, and protection and emergency services. The Department works with many key partners to provide its services.

The Department must provide these services even if a disaster disrupts its ability to operate and provide services in the normal manner. Without an adequate business continuity plan, the Department is at risk of not being able to provide critical services.

At September 2006, the Department did not have a complete, approved, and tested business continuity plan. The Department has an emergency plan that documents emergency procedures for use in the event of a disaster. However, it is still in the process of completing individual business continuity plans for its critical business functions. It has developed a strike contingency plan for use in the event of an employee strike. It completed a pandemic plan framework and is working to complete a detailed pandemic plan.

4. **We recommend that the Department of Corrections and Public Safety complete, approve, and test its business continuity plan.**

Human resource plan needs improvement

The Department needs to improve its human resource plan to ensure it has the right people, in the right jobs, at the right time.

The Department has a human resource plan for 2006-2007. We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should identify key human resource risks and gaps that exist in current and future available resources. The plan should set out strategies and implementation plans to address human resource risks and gaps.

The Department's 2006-07 human resource plan sets out priorities, identifies key human resource risks, and explains its current human resources. It also covered projected retirements. However, the plan does not quantify what resources the Department will need to achieve its strategic goals or what resources will be available internally and externally in the near future. Without this information, the plan does not adequately set out the expected human resource gap.

The plan sets out strategies and broad action plans to address the human resource risks identified. For example, the Department has implemented a program called "Building Succession Management" to develop leadership competencies.

The Department has also developed action plans to implement many of its strategies including assigning responsibility, setting timelines for completion, and regular reporting on progress. The plan does not include measurable indicators and targets. These would help the Department to monitor its progress.

5. We recommend that the Department of Corrections and Public Safety's human resource plan:

- quantify its human resources needs
- provide details on the human resource gap
- provide measurable indicators and targets for all strategies

Finance

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Main points

In this chapter, we report that the Public Employees Benefits Agency (PEBA), a division of the Department of Finance, needs to receive timely and accurate information to properly administer employee benefit programs. It needs this information to ensure all employer contributions are received and only eligible employees receive benefits.

PEBA also administers the Municipal Employees Pension Plan for the Municipal Employees' Pension Commission. We report that the Commission needs a written, tested, and approved disaster recovery plan for its computer systems to provide critical services in the event of a disaster.

Introduction

The Department of Finance (Finance) helps the Government manage and account for public money. As part of these duties, Finance administers and is responsible for several special purpose funds and agencies.

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and Crown agencies:

Year ended December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPen Properties Ltd.[1]
SaskPower Supplementary Superannuation Plan
SGI Service Recognition Plan

Year ended March 31

General Revenue Fund
Fiscal Stabilization Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund

[1] Our office has been denied access to this Crown agency since December 31, 1993 (see Chapter 8 of our 1999 Fall Report – Volume 2 for further discussion of the matter).

Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Infrastructure Fund
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for the special purpose funds and Crown agencies with years ending December 31, 2006.

In our 2006 Report – Volume 3, we reported our audit conclusions and findings for Finance and the funds and agencies for their year ended March 31, 2006, except for the Saskatchewan Infrastructure Fund. The Legislative Assembly created this Fund in December 2006.

To form our opinions, we worked with Deloitte & Touche LLP, appointed auditor for the Saskatchewan Pension Plan, and Meyers Norris Penny LLP, appointed auditor for the Municipal Employees' Pension Commission. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[2]

In our opinion, for the special purpose funds and agencies with December 31, 2006 year-ends except for SaskPen Properties Ltd:

- Finance and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported below
- Finance and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported below
- the financial statements for the special purpose funds and agencies are reliable

[2] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

Employee Benefit Programs

The Public Employees Benefits Agency (PEBA), a division of Finance, administers employee benefits programs as authorized by Cabinet.

PEBA did not receive timely and accurate information for the following benefits programs:

- Public Employees Dental Plan
- Public Employees Group Life Insurance Plan
- Public Employees Disability Income Plan
- Extended Health Care Plan
- Extended Health Care Plan for Retired Employees
- Extended Health Care Plan for Certain Other Employees
- Extended Health Care Plan for Certain Other Retired Employees

These Plans operate under *The Financial Administration Act, 1993*. The purpose of these Plans is to provide benefits to certain public sector employees.

Accurate payroll reports needed

PEBA needs accurate payroll reports from the Government's central payroll system for employer contributions relating to benefit programs that PEBA manages. Because PEBA uses outside service providers (insurance companies) to pay benefit claims, PEBA also needs to ensure that the service providers receive adequate information to pay authorized benefits to eligible employees.

For each of the benefit plans, PEBA must have processes to ensure that each Plan receives all employer contributions and that only eligible employees receive authorized benefits. PEBA uses the Government's central payroll system for departments to ensure each Plan receives proper contributions and only eligible employees receive benefits.

In April 2006, the Government changed its central payroll system for departments. The Public Service Commission (PSC) implemented the new system.

Although PEBA received estimated employer contributions for all of the Plans it manages, the new system did not provide any information relating to the actual employer contributions required for each Plan until October 2006. PEBA began receiving employer contribution reports from PSC in October 2006. However, these reports were not adequate as they did not provide all the necessary information and used incorrect rates to calculate employer contributions. By December 2006, PEBA verified employer contributions for some of the Plans, but it has not yet verified employer contributions for all of the Plans. As a result, PEBA does not know if it has received all the employer contributions for each of the Plans it administers.

To assess an employee's benefit entitlement, the insurance companies rely on eligibility information they receive from the central payroll system for certain Plans. PEBA must ensure the eligibility information the insurance companies receive is accurate and timely. However, PEBA did not ensure the information provided to the insurance companies was accurate and timely. The insurance companies did not receive eligibility information between April 2006 and June 2006. Lack of timely eligibility information could result in the payment of benefits to ineligible employees.

The risk of payment of Dental Plan benefits to ineligible employees is low because PEBA checks some dental benefit transactions and verifies employee eligibility for benefits. However, this risk is not low for the Extended Health Care Plans because PEBA does not check the transaction of those Plans. Payment of benefits to ineligible employees in the Extended Health Care Plans could result in increased premium rates for these Plans because the insurance company sets premium rates based on actual claims experience.

1. We recommend that the Public Employees Benefits Agency obtain timely and accurate payroll reports for its benefit plans to ensure all employer contributions are received.

2. We recommend that the Public Employees Benefits Agency ensure its outside service providers have timely and accurate information to assess employee eligibility for benefits.

Management told us that PEBA continues to work with PSC to resolve issues relating to payroll reports.

Accurate reports for dental claims paid needed

PEBA needs to receive accurate reports for claims paid for the Public Employees Dental Plan (Dental Plan).

The Dental Plan contains two types of benefits, i.e., core and enhanced. The Dental Plan provides core benefits to employees of all participating employers (Departments, several Crown corporations, various agencies, boards, and commissions). The employers pay for these benefits at a straight percentage of their employees' gross salary.

The Dental Plan also provides additional enhanced benefits to employees of certain participating employers. Each participating employer determines the enhanced benefits, if any, it will provide to its employees and the contribution rate. The contributions for enhanced benefits depend on the claims experience of each participating employer.

In our 2006 Report – Volume 1, we recommended that PEBA ensure it receives accurate reports for claims paid for enhanced benefits under the Dental Plan.

PEBA administers claims for both core and enhanced benefits. PEBA contracted an insurance company (Company) to adjudicate and process claims. Because the contributions for enhanced benefits depend on claims experience, PEBA must maintain separate claim records for each benefit. PEBA requires this information to collect the correct contributions from employers that provide enhanced benefits.

The Company provides PEBA with regular reports that track claims paid for each benefit. To ensure the Company is properly processing claims, PEBA checks some transactions from that report to the original claims employees submitted. Since 2005, PEBA has found many allocation errors between core and enhanced benefits on these reports. However, PEBA did not ensure the Company corrected those inaccuracies quickly. Because PEBA does not have adequate processes to ensure claims paid for the benefits of the Dental Plan are accurate, it does not know if each participating employer is fully paying for the enhanced benefits provided

to its employees. PEBA continues to work to address our past recommendation.

We continue to recommend that the Public Employees Benefits Agency ensure it receives accurate reports for claims paid for enhanced benefits of the Public Employees Dental Plan.

The Standing Committee on Public Accounts considered this matter in October 2006 and agreed with our recommendation.

In 2006, PEBA revised its Dental Plan. The revised plan sets out that when an employer's enhanced contribution exceeds the cost of providing the enhanced benefits, the surplus belongs to the contributing employer. The revised plan also requires PEBA to report to contributing employers monthly the amount of surplus or deficit relating to the enhanced benefits. Employers must pay the deficit when notified. Employers can request the refund of any surplus or allow the plan to retain such surplus to pay future enhanced claims. Currently, PEBA estimates that the total employer surplus is $177,000 and the total employer deficit is $455,000. Because PEBA did not determine enhanced benefits as described above, it did not report to the participating employers about the status of their funding for enhanced benefits. Accordingly, PEBA did not comply with the terms of the Dental Plan.

3. **We recommend that the Public Employees Benefits Agency report monthly to participating employers the amount of surplus or deficit relating to enhanced dental benefits.**

Municipal Employees' Pension Commission

The Municipal Employees' Pension Commission (Commission) is responsible for administration of *The Municipal Employees' Pension Act*. The Commission manages the Municipal Employees' Pension Plan (MEPP). The Commission's primary objective is to provide retirement benefits to members in accordance with the law. The Commission has contracted PEBA to provide day-to-day administration of MEPP.

MEPP provides retirement benefits to some employees of school divisions and regional colleges, and employees of regional public libraries

and other local authorities (e.g., rural municipalities) within Saskatchewan. MEPP is primarily a defined benefit pension plan.

MEPP's 2006 Annual Report includes its audited financial statements.[3] These financial statements report the following:

- contributions of $36 million from employees and employers, investment income of $61 million, and an increase in market value of investments of $107 million
- administrative expenses (including investment and contractual fees) of $6 million
- transfers or payments out of MEPP of $64 million
- at December 31, 2006, MEPP held net assets of $1.4 billion and had accrued pension benefits of $1.2 billion

Disaster recovery plan needed

The Commission needs a written, tested, and approved disaster recovery plan for the computer system it uses to help ensure that it can continue to operate effectively in the event of a disaster. The Commission needs such a plan because it depends on the computer system to provide critical services.

The critical services the Commission provides include receiving and recording contributions from employers, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members. The Commission must be able to provide these services even if a disaster disrupts its operations and services. Without an adequate disaster recovery plan, the Commission may not be able to provide its critical services.

Disaster recovery plans must:

- have management support which includes making the required resources available to create and maintain the disaster recovery plan
- be based on a threat and risk assessment including identifying and ranking MEPP's critical services

[3] MEPP's annual reports are available at www.peba.gov.sk.ca

- set out plan activation, notification, and emergency procedures that would be used in the event of a disaster together with steps for the recovery and restoration of critical information technology services
- be documented, approved by management, and easily accessible when needed
- be tested initially and on a regular basis
- set out policies for regular maintenance and updating of the plan

The Commission has documented some elements of a disaster recovery plan. For example, the Commission has documented the information technology (IT) equipment it uses and has arranged for use of an offsite facility in the event of a disaster. However, the Commission needs to identify and rank its critical IT services, determine the recovery time and document processes to recover or restore each service. The Commission also needs to periodically update and test its disaster recovery plan.

4. **We recommend that the Municipal Employees' Pension Commission have a written, tested, and approved disaster recovery plan.**

First Nations and Métis Relations

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Main points

In this chapter, we report on the audit of the Métis Development Fund. We also report that the Department of First Nations and Métis Relations has implemented recommendations we made in 2003 about the Aboriginal Employment Development Program. The Department has improved the reliability and consistency of information related to the participation of Aboriginal people in the provincial workforce. It reports progress using trends in the number of Aboriginal people employed by its partners.

Introduction

The Department of First Nations and Métis Relations (Department) works with First Nations and Métis people and their organizations to advance common interests. It provides leadership to include the priority issues of First Nations and Métis people in the Government's policies and programs. It also helps the Government fulfill its obligations for treaty land entitlement.

We reported the results of the audit of the Department of First Nations and Métis Relations for the year ending March 31, 2006 in Chapter 19 of our 2006 Report – Volume 3.

The Department is responsible for the Métis Development Fund (also called the Clarence Campeau Development Fund). The Fund has a December 31 year-end. The Fund's 2006 Annual Report includes its financial statements for the year ending December 31, 2006. Those statements report revenue of $2.5 million, expenses of $1.0 million, and net assets of $14.5 million.

This chapter reports the results of our audit of the Fund for the year ending December 31, 2006 and describes actions the Department has taken on recommendations from our 2003 audit of the Aboriginal Employment Development Program.

Audit conclusion—Métis Development Fund

The Fund's Board of Directors appointed Deloitte & Touche LLP as the Fund's auditors. Our Office worked with Deloitte & Touche LLP to form our opinions. To do our work, we followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] Deloitte & Touche LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2006, the Métis Development Fund's financial statements are reliable. The Fund had adequate rules and procedures to safeguard public resources, and complied with authorities governing its activities relating to financial

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Facilitating partnerships—a follow-up

The Department promotes the employment of qualified Aboriginal people through its Aboriginal Employment Development Program (AEDP). Employers, unions, urban municipalities, and others who become partners commit themselves to prepare their workplaces and employ more people who identity themselves as Aboriginal. The AEDP had 76 partners as of March 2007.

In Chapter 5 of our 2003 Report – Volume 1, we reported that the Department had adequate processes to facilitate partnerships that increase the participation of Aboriginal people in the provincial workforce, with one exception. The Department needed to improve how it measured and reported progress. We recommended that the Department:

- take adequate steps to ensure it uses consistent and reliable information to evaluate its progress toward increased participation of Aboriginal people in the provincial workforce
- inform the public of its progress in achieving short-, mid-, and long-term measurable targets that contribute to the increased participation of Aboriginal people in the provincial workforce

The Standing Committee on Public Accounts agreed with our recommendations on June 8, 2004.

We based our 2003 audit on the criteria set out in Exhibit 1.

Exhibit 1–Criteria to facilitate partnerships

To adequately facilitate effective partnerships to increase participation of Aboriginal people in the workforce, the Department needs processes to:

1. identify key partnership opportunities
2. design sustainable strategies to engage partners
3. formalize clear accountability with partners
4. report progress toward increasing Aboriginal participation in the workforce

As explained below, at March 2007, the Department has complied with the recommendations. As yet, government departments do not report their performance targets publicly. As a result, the Department uses alternate ways to inform the public about its progress in increasing the participation of Aboriginal people in the provincial workforce.

Reliability of information

We recommended that the Department use reliable and consistent information to evaluate participation of Aboriginal people in the workforce.

The information the Department used in early 2007 was more reliable and consistent than it previously used.

To evaluate its progress, the Department collects information from each of its partners about the employment of Aboriginal people. The Department recognizes that the accuracy of this information relies on employees to self-declare their cultural identity. Each year, the Department asks each partner to report the following related employment data:

- the number of Aboriginal people the partner hired during the fiscal year
- the number of Aboriginal people the partner has hired cumulatively since the agency became a partner
- the number of permanent and non-permanent employees as of March 31st who identity themselves as Aboriginal

In 2005-06, 88% of its partners reported the number of new employees hired who declared themselves to be Aboriginal (82% in 2004-05). The Department combines information reported to show the number of Aboriginal people the partners have hired since they signed an AEDP agreement. Combining information from various sources and times increases the risk the information will not be accurate and complete.

To encourage partners to report the same type of information in the same way, the Department now defines key terms for its partners. Careful definitions help partners to understand what to report and improve the reliability of the information reported. For example, the Department

defines non-permanent employees as temporary, casual, seasonal, and term appointments.

The Department recognizes that employers may not collect or report the information consistently or have sound mechanisms to track related employment data. The Department has begun to disclose these limitations in its public reports. It also continues to ask and encourage its partners to report their progress in employing Aboriginal people.

Reporting progress toward short and long-term targets

We recommended that the Department inform the public of its progress in achieving short, mid, and long-term targets that contribute to the increased participation of Aboriginal people in the provincial workforce.

One of the Department's objectives is to "increase the participation of First Nations and Métis peoples in the province's workforce and economy."[2] The Department uses three measures related to the AEDP to help it assess progress in achieving this objective. The measures are:

- number of partnerships agreements under AEDP
- number of Aboriginal people employed by AEDP employer organizations
- number of Aboriginal people who receive work-based training in partnership employer organizations

Consistent with the Government's accountability framework, the Department does not publish targets. As a result, the Department cannot use comparisons to targets to inform the public of its progress.

Rather, the Department provides readers of its annual report and website with trends in the employment of Aboriginal people from 2002 to 2005. In particular, the website reports trends in the number of Aboriginal people permanently employed at year-end by all reporting partner agencies. It also provides detailed explanations of key activities and reasons for changes.

[2] Department of First Nations and Métis Relations, 2006-2007 Saskatchewan Budget Performance Plan First Nations and Métis Relations, Regina, Author, p. 11.

Because the Department does not collect the information from its partners in sufficient time, information in its annual report is based on the prior year (i.e., 2005-06 annual report includes results to March 31, 2005). The Department puts more current information on its website (i.e., website includes information to March 31, 2006). It shares information on its results with its partners through meetings with their AEDP coordinators.

In 2005-06, the Department completed a "progress review" that explains activities related to each of its performance measures in detail. It shows progress for the current fiscal year and the overall progress since 1995. In 2007, the Department also arranged for an external evaluation of the AEDP.

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Main points

In this chapter, we report the results of our audits of the Saskatchewan Association of Health Care Organizations (SAHO) and eight benefit plans for employees in the health system and an audit at the Five Hills Regional Health Authority.

To safeguard resources from misuse, SAHO must segregate the duties of its employees in the following areas:

- cash receipts and bank deposits
- entries to its accounting records
- agreeing accounting records to bank records
- payments to suppliers
- disability income payments

SAHO needs to strengthen its processes to safeguard the assets of its benefits plans by:

- monitoring the contribution revenue collected from participating members (e.g., regional health authorities)
- preparing and reviewing interim financial statements for the benefit plans
- developing investment policies for its dental, extended health, and group life insurance plans to manage risks and monitor performance
- ensuring payments made by its agent comply with the agreements with the agent and the plan texts

As reported in our 2005 Report – Volume 3, we have audited the processes two departments used to achieve their planned outcomes. As reported in this chapter, we carried out a similar audit at the Five Hills Regional Health Authority.

Focusing on the achievement of planned outcomes is an effective way to manage and is in use worldwide. Agencies within the Government, in recent years, have adopted this management approach. As with any significant change in management approach, we expect that it will take several years to make full use of an outcome-oriented approach.

We anticipated that the Five Hills Regional Health Authority, formed in 2002, would be at an early stage in applying outcome-oriented

management processes. Overall, we found the Region has an organizational culture that expects an outcome orientation. Some of its management practices are moving quickly towards an outcome orientation while a few are progressing more slowly.

We recommend the Region formally analyze results (i.e., activities completed and outcomes achieved) and use that analysis to support decisions. We also recommend it use a management development program that includes an outcome-oriented approach.

Introduction

The mandate of the Department of Health (Health) is to protect and improve the health of Saskatchewan people. To do this, Health provides policy direction, direct services, and funding to health providers and health agencies.

In Chapter 2 of our 2006 Report – Volume 3, we reported the results of our audits of the Department of Health and related agencies for the year ended March 31, 2006, except for the audits of Saskatchewan Association of Health Organization's (SAHO) rules and procedures to safeguard its and its benefit plans' resources, compliance with its and its benefit plans' authorities, and Group Life Insurance Plan financial statements (year ended December 31, 2005). This chapter reports the results of those audits. We have not completed our audits of the benefit plans for the year ended December 31, 2006.

Also, the chapter reports on the results of our audit to assess the adequacy of the Five Hills Regional Health Authority's processes to achieve selected outcomes.

Saskatchewan Association of Health Organizations

The purpose of Saskatchewan Association of Health Organizations (SAHO) is to provide leadership, support, and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan. Services SAHO provides to its members include communications and advocacy, collective bargaining, human resources, payroll, materials management, workplace, health and safety, and education. Its members are various healthcare providers within the province. The largest members are the Regional Health Authorities (RHAs).

SAHO also provides administrative services for various employee benefit plans used by its members. The employee benefit plans include disability income plans, dental plans, extended health plans, and life insurance plans. SAHO is the central policyholder of the dental, extended health, and life insurance plans and the administrator of the four disability income plans on behalf of its membership and the applicable unions.

For the year ended March 31, 2006, SAHO had total revenues of $14.6 million, total expenses of $15.0 million, an annual operating deficit of $0.4 million, and held assets of $11.3 million.

The SAHO Master Trust Combined Investment Fund holds the SAHO disability income plans' investments. For the year ended December 31, 2005, this fund had investment income of $4.8 million and held net assets of $76.7 million.

For the year ended December 31, 2005, the SAHO benefit plans had the following financial results:

	Revenue	Expense	Increase (decrease) in Net Assets	Assets	Liabilities
			(In 000's of dollars)		
SAHO Disability Income Plan – C.U.P.E.	9,748	8,643	1,368	19,899	21,487
SAHO Disability Income Plan – S.E.I.U.	9,374	3,248	6,408	22,068	17,490
SAHO Disability Income Plan – General	7,561	6,204	1,583	19,967	20,122
SAHO Disability Income Plan – S.U.N.	7,130	10,371	(2,975)	18,485	24,439
SAHO Core Dental Plan	12,755	14,216	(1,461)	8,959	2,759
SAHO In-Scope Extended Health/Enhanced Dental Plan	34,098	23,780	10,318	19,664	4,317
SAHO Out-of-Scope Extended Health/ Enhanced Dental Plan	2,950	2,844	106	378	1,093
SAHO Group Life Insurance Plan	7,739	10,105	(2,366)	8,686	17,238

In this chapter, we report that SAHO needs to improve its management of resources.

Our audit conclusions and findings

In our opinion:

- for the year ended March 31, 2006, SAHO had adequate rules and procedures to safeguard its and its benefit plans resources except as described in this chapter

- for the year ended March 31, 2006, SAHO complied with the authorities governing its and its benefit plans' activities relating to financial reporting, safeguarding resources,

revenue raising, spending, borrowing, and investing except as described in this chapter

- for the year ended December 31, 2005, SAHO's Group Life Insurance Plan's financial statements are reliable

Segregation of duties

SAHO needs to segregate duties among its employees to safeguard resources from misuse. A separation of key functions so that no employees are in a position to commit and conceal fraud or error in the normal course of their duties is essential to good control. Good controls separate the custody or access to assets, the initiation of a transaction, the approval of a transaction, and the responsibility for recording or reporting the transaction. Failure to adequately segregate the duties of employees exposes SAHO to the risk of loss of resources.

Receipts

SAHO's processes require that two employees open the mail. The employees who open the mail do not immediately restrict cheques (i.e., stamp cheques for deposit only to SAHO's bank account) and record amounts received. Instead, the employees pass the receipts to another employee to record the receipts and prepare the deposit slip. Sometimes the employee who records the receipt also records accounts receivable and prepares or approves the bank reconciliation.

By not restricting and recording receipts immediately, SAHO increases the risk that receipts could be misappropriated. As noted above, the number of incompatible functions assigned to employees who handle and record receipts increases this risk.

SAHO collects approximately $80 million annually including contributions received for its benefit plans.

1. **We recommend that Saskatchewan Association of Health Organizations immediately record receipts and restrict cheques for deposit only to its bank account.**

2. We recommend that Saskatchewan Association of Health Organizations segregate the duties of employees handling receipts and recording entries into the accounting system.

SAHO management told us it will implement these recommendations.

Approval of reconciliations and adjustments to accounting records

SAHO's processes require employees to agree (i.e., reconcile) its recorded bank balances to the bank's records each month so that all transactions are recorded properly. For this process to work effectively, reconciliations must be timely and independently reviewed and approved. Most of the bank reconciliations lacked evidence of independent review and approval. The lack of independent review and approval increases the risk that SAHO may not detect errors or misuse of resources.

SAHO's processes require the independent review and approval of entries that adjust the accounting records (i.e., journal entries). Many journal entries lacked evidence of independent review and approval.

The lack of independent review and approval of bank reconciliations and journal entries increases the risk that SAHO's accounting records and financial reports may not be accurate and complete. Also, a loss of resources due to fraud or error could be concealed.

3. We recommend that Saskatchewan Association of Health Organizations independently review and approve all bank reconciliations.

4. We recommend that Saskatchewan Association of Health Organizations independently review and approve all journal entries.

SAHO management told us it will implement these recommendations.

Approval of payments

SAHO has a policy that two of three authorized employees will sign all cheques. SAHO signs cheques using the electronic signatures of the authorized employees.

We found that SAHO's practice is for only one of the authorized employees to review payment support and approve the cheque listing. In that employee's absence, an individual who is not authorized to sign cheques reviews payment support and approves the cheque listing.

In addition, the employees who approve the cheque listing can also approve changes to records that establish eligible suppliers, approve invoices for payment, and enter payments to suppliers into the accounting system.

By not segregating approval for payments from the purchases and recording of those purchases, SAHO is at risk of spending resources for unauthorized purposes.

5. **We recommend that Saskatchewan Association of Health Organizations follow its policy that payments be reviewed and approved by two authorized employees.**

6. **We recommend that Saskatchewan Association of Health Organizations segregate the duties of employees that approve changes to eligible suppliers, record payments to suppliers, and approve payments to suppliers.**

SAHO management told us it will implement these recommendations.

Approval of disability income payments

Sometimes agencies assign incompatible functions to an employee and rely on review and approval of work and reports to detect errors or irregularities. Staff assigned responsibility for review and approval of management reports must consider the additional risks when reviewing the work and reports of an employee with incompatible functions.

SAHO processes approximately $20 million in benefit payments to individuals on disability leave each year. It uses a computer system to process these payments. It has given some employees the ability to record new disability claims, make changes to claims, and authorize payments to claimants.

Adjudicators review and approve claims before employees make payments or changes in the system. The computer system requires an adjudicator to authorize a claim. During the year, the same employees who record new claims also record whether the adjudicator approved the claim and any other information requested by the adjudicator. There is no independent review of the information recorded for each claim.

A manager reviews detailed payment reports each payment cycle. These reports do not identify changes in the period for closer scrutiny, such as new or terminated claimants. This decreases the probability of detecting any errors or fictitious claims.

The review of the work and reports is not adequate to compensate for the lack of segregation of duties assigned in the disability income payment system. As a result, SAHO is at risk of misuse or loss of resources.

7. **We recommend that Saskatchewan Association of Health Organizations segregate the duties of employees that record new disability income claims from those who approve these claims for payment.**

SAHO management told us it will implement this recommendation.

Contributions need monitoring

SAHO needs to improve its monitoring of contribution revenue collected from participating members for the various benefit plans it administers. Annual contributions from members are approximately $75 million.

SAHO collects contributions from member agencies (members) participating in its disability income, core dental, and in-scope extended health/enhanced dental plans. SAHO makes sure that each member remits a contribution each month. However, SAHO relies on members to pay the correct amount of contributions. For the group life plan, SAHO has arranged for members to pay contributions directly to an insurance company.

SAHO does not estimate how much each member will contribute each month (expectation) or compare actual contributions to its expectation estimate. Without such a process, SAHO does not know whether all

contributions owed are collected for the benefit plans it administers. This could result in less resources being available to meet plan needs or overcharging members to compensate for incorrect past contributions.

8. **We recommend that Saskatchewan Association of Health Organizations determine, each month, that all contributions owed are collected for the benefit plans it administers.**

SAHO management told us the anticipated implementation, in 2008, of the new benefits administration system will contain appropriate reports for review and monitoring of contribution revenue. Until then SAHO will perform annual analysis.

Financial reports for administered benefit plans needed

SAHO needs to review interim financial reports for its administered benefit plans. As part of this process, SAHO needs to update its accounting records (i.e., general ledger) on a timely basis.

As the administrator or policyholder of each of the benefit plans, SAHO is responsible for monitoring the finances of each plan on behalf of the plans' members. SAHO uses various reports on expenses, contributions, and investments to monitor the operation of the plans. Annually, it also reviews audited financial statements for each plan.

SAHO does not prepare and review interim financial reports for the benefit plans to provide a complete financial picture during the year. This increases the risk that inappropriate decisions could be made resulting in financial loss to the plans (e.g., poor return on assets, insufficient contribution rates, or undetected unauthorized expenses).

To prepare timely reliable financial reports, SAHO needs to update the accounting records for its benefit plans on a timely basis. For most of 2005, SAHO did not update the accounting records for the benefit plans until several months after year-end. This increases the risk that inappropriate decisions may be made.

9. **We recommend that Saskatchewan Association of Health Organizations regularly update its accounting records for its administered benefit plans.**

10. We recommend that Saskatchewan Association of Health Organizations use interim financial reports to monitor its administered benefit plans.

SAHO management told us it plans to keep its accounting records for its administered benefit plans up to date.

Investment policies needed

SAHO needs to develop investment policies for its dental, extended health, and group life insurance plans (benefit plans). SAHO has investment policies for the other benefit plans it administers.

SAHO manages money for the benefit plans that will be needed for future expenses. Currently, SAHO has invested money for each of the benefit plans in the same investment, a short-term, low-risk pooled fund. SAHO has not defined the investment objectives and risk tolerances for each plan. Without defining goals and acceptable risks, SAHO may expose the money to greater risk or to lower returns than is reasonable for each benefit plan. In addition, SAHO has not set out how it will monitor performance of the investments (e.g., set benchmarks).

Each benefit plan faces different circumstances and risks. To address the unique factors of the benefit plans, each benefit plan's investment strategy should be considered independently. In some cases, the objectives and risks of the plans may be similar, in which case SAHO may develop a similar investment policy for some of the plans. Each investment policy should be reviewed at least annually to determine that the policy continues to appropriately address the objectives and risks of the plan.

11. We recommend that Saskatchewan Association of Health Organizations have investment policies for its dental, extended health, and group life insurance plans.

SAHO management told us it will implement this recommendation.

Verification of compliance with insurance agreements and plan texts

SAHO needs to strengthen its processes to determine whether payments made by its insurance carrier for its dental benefits plans (i.e., Core Dental Plan, In-Scope Extended Health/Enhanced Dental, Out-of-Scope Extended Health/Enhanced Dental) comply with its agreements with its insurance carrier and its plan texts.

For its dental benefit plans, SAHO has contracted with an insurance company to provide administration and payment services. SAHO receives monthly reports from the insurance company that show activity for the month (i.e., amounts received, amounts paid, number of claims). SAHO, however, does not verify that the insurance carrier has complied with the terms of the agreements and the plan texts. SAHO does not receive and review claim forms given to the insurance company by healthcare workers to make a claim. Nor does SAHO (or an independent representative) each year go to the insurance company to review the claim forms and the process for making payments. As a result, SAHO cannot determine if payments made by the insurance company for SAHO's dental benefit plans complied with the agreements between SAHO and the insurance company and the plan texts. Therefore, SAHO may pay more for claims than required and have less resources for future plan needs. In addition, SAHO may agree to higher premium rates with the insurance carrier than needed to operate the plan.

We reported this matter in our 2005 Report – Volume 3. On March 9, 2006, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

SAHO hired a consultant to do a review of claims processed by its insurance company for the period November 1, 2004 to August 31, 2005. At the time of our audit, the on-site review of claims was not complete.

We continue to recommend that Saskatchewan Association of Health Organizations strengthen its processes to ensure that payments made by its insurance company comply with the agreements with the insurance company and the plan texts.

Service agreements need improvement

SAHO needs a written agreement with all healthcare agencies for which it provides services.

Many healthcare agencies within the province, including 12 regional health authorities, use SAHO's payroll and benefit plan administration services. SAHO does not have service agreements with the healthcare agencies setting out each party's role. However, SAHO has memoranda of understanding with some healthcare agencies that expire in the near term. These memoranda do not meet all of the requirements of an adequate service agreement. For example, they do not set out service objectives for the services provided nor do they require SAHO to periodically report on its assessment of the control it has established to meet the healthcare agencies' objectives.

The service agreements with each healthcare agency should:

- Describe the authority and responsibility of SAHO and the healthcare agency.
- Describe the services to be provided and the healthcare agency's service-level objectives.
- Describe the privacy and security objectives.
- Describe the basis for paying for those services.
- Require SAHO to periodically report its assessments of the control it has established to achieve the healthcare agency's objectives. These reports should be audited by SAHO's auditor.

We reported this matter in our 2005 Report – Volume 3. On March 9, 2006, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

We continue to recommend that Saskatchewan Association of Health Organizations make service agreements with each healthcare agency for all the services it provides.

Security policies and procedures needed

SAHO needs security policies and procedures for its information systems.

SAHO has made good progress in improving its security policies and procedures. SAHO's policies and procedures now identify who is responsible for the security of systems and data, define how access to systems is given or removed, and clearly identify the rules that staff need to follow. SAHO also did a security awareness training session for staff during the year.

SAHO has developed a plan for implementing its security policies and procedures. SAHO will need to ensure that it makes staff aware of and monitors compliance with its security policies and procedures.

We reported this matter in our 2005 Report – Volume 3. In March 2006, the Standing Committee on Public Accounts agreed with our recommendation.

We continue to recommend that SAHO prepare, approve, and implement written security policies and procedures for its information systems.

Five Hills Regional Health Authority—processes to achieve selected outcomes

Introduction

Focusing on the achievement of planned outcomes[1] is an effective way to manage that is used worldwide. Agencies within the government, in recent years, have adopted this management approach. As with any change, we expect that it will take these agencies several years to make full use of an outcome-oriented approach.

Historically, managers usually planned and monitored activities without focusing on whether the activities achieved what was expected (i.e., the planned outcomes). Managing activities is short term, most often within one year. Managing outcomes requires a long-term perspective and

[1] Outcomes are the consequence of activities; they describe the public benefit achieved through services.

emphasizes the use of performance measures, targets, program evaluation, and alignment of individual performance with agency objectives. If an agency does not have processes to achieve its planned outcomes, it might use its resources inefficiently, take longer to achieve its objectives, or not provide adequate or appropriate services.

In our 2005 Report – Volume 3, we reported on our audit of the processes two departments used to achieve their planned outcomes.[2] In this section, we report on the Five Hills Health Region's processes for achieving its planned outcomes.

Background

The Regional Health Services Act created the Five Hills Health Region (Region) in 2002. The Region is located in south-central Saskatchewan and includes the communities of Assiniboia, Central Butte, Chaplin, Craik, Gravelbourg, and Moose Jaw. It provides preventive, acute, and long-term healthcare services to a population of approximately 55,000. In 2005-06, the Region employed 1,800 staff and spent about $95 million.

The Minister of Health provides the health sector with long-term direction for outcomes. The Minister expects the Region to align its long-term goals with goals outlined in the Department of Health's annual Performance Plan and other documents (e.g., *The Action Plan for Saskatchewan Health Care*, 2001 and *A Population Health Promotion Strategy for Saskatchewan*, 2004).

As well, each year, the Minister gives the Region an accountability document that outlines what the Government expects in terms of services, provincial priorities, and monitoring of health outcomes. The accountability document also states the Minister expects the Region to consult communities to determine local priorities.

In 2004, the Region developed its overall Strategic Plan with input from the public, community committees, other agencies, physicians, and staff. The Region recognized that priorities of local communities, other

[2] Department of Corrections and Public Safety and Department of Highways and Transportation. For further details, see Chapter 10 – Managing for results of our 2005 Report – Volume 3.

agencies, and the Minister might differ from those the Region selected as most important.

The Region's plans set out its top ten strategic priorities. While these are consistent with provincial priorities, they also include priorities specific to the Region. In 2005 and 2006, the Region updated its strategic priorities. The strategic priorities include outcomes such as safety, access to care, and population health.

To achieve the Region's planned outcomes requires cooperation. The Region actively works with many other agencies. Managers in hospitals, nursing homes, and addiction treatment centres must work closely with those in primary health care and public health services. They must also secure the support of the other agencies. Also, the Region must use health-sector research to find methods that are most likely to achieve results.

Our audit objective and conclusion

The objective of this audit was to assess the adequacy of the Five Hills Health Region's processes as at December 31, 2006, to achieve planned outcomes.

We followed *Standards for Assurance Engagements* established by The Canadian Institute for Chartered Accountants to conduct our audit. To help us understand the Region's processes, we focused on the following three outcome areas as reflected in the Region's strategic priorities and plans:

- active communities (i.e., increasing physical activity for health and social benefits)
- injury reduction (i.e., reducing accidental injuries among seniors and youth)
- decreased substance use and abuse (i.e., reducing use of alcohol, tobacco, and illicit drugs)

In this audit, when we refer to "planned priority outcomes," we mean outcomes related to these three outcome areas.

We assessed the Region's processes using the criteria in Exhibit 1. We based these criteria on international literature and the work of other

auditors listed in the selected references. The Region agreed with the criteria.

Exhibit 1—Criteria for processes to achieve planned outcomes

To be adequate, processes to achieve planned outcomes should:

1. Show leadership commitment to achieving planned outcomes
   - 1.1. Promote a focus by senior managers on outcomes
   - 1.2. Provide managers with learning opportunities that support a focus on outcomes

2. Make expectations clear
   - 2.1. Assign responsibility for planned outcomes
   - 2.2. Set targets for planned outcomes
   - 2.3. Set out action plans to achieve the planned outcomes
   - 2.4. Communicate significant changes made to the performance plan

3. Monitor results
   - 3.1. Measure results
   - 3.2. Analyze results
   - 3.3. Report results regularly

4. Use performance information to support decisions
   - 4.1. Align resources with expectations
   - 4.2. Realign strategies with planned outcomes
   - 4.3. Manage risks that could prevent achieving outcomes

We anticipated that the Region, formed in 2002, would be at an early stage in applying outcome-oriented management processes. Overall, we found the Region has an organizational culture that expects an outcome orientation. Some of its management practices are moving quickly towards an outcome orientation while a few are progressing more slowly.

We concluded that, as at December 31, 2006, Five Hills Health Region had adequate processes to achieve planned outcomes except as follows. The Region did not formally analyze results (i.e., activities completed and outcomes achieved) and use that analysis to support decisions. Also, it did not have a management development program that includes outcome-oriented approach.

Findings and recommendations by criterion

For each criterion, this section describes what we expected (in italics) and what we found. The first paragraph after the italics is a summary of our significant findings for that criterion.

Show leadership commitment to planned outcomes

We expected the Region's processes to show that managers throughout the Region communicate the rationale for and success with an outcomes focus. We also expected the Region to provide managers with learning opportunities that support the focus on outcomes.

The leadership of the Five Hills Health Region shows its commitment to planned outcomes, communicates progress, and provides some training. The Region's leadership includes the board, the chief executive officer (CEO), and the management council (a group representing all major service areas and health care agencies that work directly with the Region).

Promoting a focus on outcomes by senior managers

The Region's written policy on leadership promotes the use of evidence-based decisions and accountability for outcomes. The Region expects staff to evaluate outcomes as set out in its planning framework. The CEO uses *Pulse*, the Region's monthly newsletter widely distributed to its staff, to explain progress toward outcomes. For example, the newsletter describes reduced smoking rates and increased injury rates to encourage further action. The CEO also uses *Pulse* to invite input into the strategic planning process including ideas for achieving the outcomes successfully. Also, the Region states its planned priorities as outcomes (e.g., reduced injuries, reduced substance abuse/use, and active communities). Furthermore, the CEO communicates this focus on outcomes to all managers through regular meetings of the management council.

Providing learning opportunities about focusing on outcomes

The Region expects managers and staff to identify their own learning needs. The Region then provides financial resources for relevant training.

To use an outcome-oriented management approach, managers must first have solid basic management skills. In 2005 and 2006, seven managers, along with staff from other health regions, attended an orientation to basic management skills (e.g., communication, delegation) and related health-sector issues. The Region has plans to start a leadership development program.

The Region has a voluntary training program related to outcomes. To manage the risk of not achieving outcomes and to improve quality, many managers and staff use an approach called the PDSA process[3] (i.e., plan, do, study, and act). The Region provides training in this process to interested managers and staff who wish to learn how to achieve short-term outcomes. Also, in 2006-07, the Region budgeted $400,000 to enable interested staff to attend training in "pursuing excellence"–a continuous improvement strategy that emphasizes efficiency and cost-reduction using, in part, the PDSA process.

The Region's training programs or plans did not require managers to be trained on longer-term outcome-oriented approaches. Training on such approaches helps managers to select useful performance measures and targets and analyze progress by comparing present results (for outcomes or activities) to baselines, targets, or the results of similar agencies.

12. **We recommend that the Five Hills Health Region routinely provide its managers with opportunities to learn about outcome-oriented management (i.e., about selecting useful targets, analyzing results in the short, medium, and long term, and using performance information).**

Make expectations clear

To provide guidance and accountability, we expected the Region to use processes that assign responsibility to managers. We expected the Region to set short-term targets for activities and medium and long-term targets for outcomes. We expected the Region to develop action plans that relate to outcomes. We anticipated that the Region would communicate with stakeholders and staff regarding significant changes to its plans.

The Five Hills Health Region's planning processes made its expectations clear. Its action plans assigned responsibility for outcomes and performance appraisals of senior managers evaluated results. The action plans also included long-term targets for outcomes related to the Region's priorities. The Region communicated significant changes to its overall Strategic Plan on its website and during a wide range of meetings.

[3] The Health Quality Council promotes the PDSA process.

Assigning responsibility and evaluating performance results

To make accountability clear, the Region took advantage of existing human resources processes and used its action plans to assign responsibility.

The Region's job descriptions make clear that managers are responsible for outcomes. The annual performance appraisal process for senior managers reinforced that the Region expected senior managers to achieve results in their assigned program areas (i.e., complete activities and achieve outcomes). In 2006, the Region made it a policy that all managers and staff participate in a formal performance review at least every three years.

The Region had several written plans related to specific health services and outcomes. In this section, we call these 'action plans' to avoid confusion with the Region's overall Strategic Plan. Most of the Region's action plans contained objectives, progress measures, longer-term targets, strategies, and detailed work plans. The action plans made specific managers or work teams responsible for each objective. For example, the Region had the following detailed action plans:

- Population Health Promotion Strategic Plan 2004-2008
- Primary Health Care Strategic Plan 2003-2007
- Strategic Plan: Public Health Services 2005-2008
- Moose Jaw–South Central Region Drug Strategy 2006-2009
- Healthy Seniors Action Plan 2006

Using action plans and targets to guide activities

The Region had action plans for each priority outcome area. When developing action plans, the Region used internally-generated data, input from its partners, and identified research to select activities likely to help it achieve its outcome over the long term.

To give direction about these action plans, the Region used committees that focus on particular outcomes (see Exhibit 2). Other committees coordinated plans and activities for several priority outcomes and monitored progress.

Exhibit 2—Committees related to three selected priority outcomes

Committees for specific outcomes:
Population Health Promotion Working Group
Falls Prevention Project Committee
Moose Jaw-South Central Drug Strategy

Local community action committees:
Assiniboia, Avonlea, Central Butte, Chaplin, Craik, Gravelbourg, Kincaid, LaFleche, Rockglen

Coordinating committees:
Regional Intersectoral Committee
LINKS Committee (Linking Integrated, Networked, Key Strategies)
Quality Improvement Unit

The Region consistently set targets for priority outcomes. Many of the Region's outcome targets were long term—often to be completed in three to five years and sometimes up to seven years. To set realistic targets, the Region used research evidence and considered fiscal realities. The Region's committees helped it to set targets that its partners had discussed and accepted as practical.

Communicating with partners about plans

The Region emphasized working with partners to help achieve its many objectives. Partners include representatives of various community groups and services.[4] These partners helped develop strategies and provided feedback on draft plans and reports. In addition, the Region asked its employees to suggest priorities and ways to achieve success.

The Region advised partners, employees, and the public of significant changes to its Strategic Plan and action plans. In February 2005, the Region added a new strategic priority and used its website to inform the public (i.e., via March 2005 board minutes posted on the website). In February 2006, the Region used its website to communicate revisions to its top ten strategic priorities. During regular meetings, the Region's

[4] Partners include school divisions, municipalities, housing authorities, community-based organizations, police forces, and the Government departments of Justice and Community Resources.

senior managers informed the community action committees and coordinating committees of changes in their action plans.

Monitor results—measure, report, analyze

We expected the Region to monitor results (i.e., activities and outcomes). We expected the Region's processes would measure results at regular intervals. We expected regular reports would help managers monitor results and explain why results differed from plans. We expected the Region would analyze its results by comparing baselines and actual trends to target outcomes. Analysis also could assess whether staff and committees completed activities on time and as planned. We expected the Region's analysis to help it to forecast when it would complete major actions and achieve outcomes.

The Five Hills Health Region measured and, in turn, monitored results primarily using short-term activity reports. Reports to managers and the board were regular but seldom explained differences from planned results. The Region's reports of results showed limited analysis with few comparisons to baselines, plans, or targets, and no forecasts.

Measuring results

The Region had a good foundation for measuring results. For example, when selecting new measures, the Region got advice from committees and expert staff including its epidemiologist to help it select useful measures and state them clearly. For each objective, the Region set a target and selected a measure to help monitor progress. It used action plans to link activities to the target.

The Region used the specified definitions and calculations for measures that it reports to the Department of Health. For many measures, the Region's plans identified a baseline or starting point or noted the intention to identify a baseline. In 2007, the Region plans to develop further measures that will help it to monitor outcomes.

Reporting results—activities and outcomes

The Region recognized that managing outcomes requires a long-term perspective and regular, meaningful reports. Reporting progress regularly on short-term activities and long-term outcomes for many objectives can

be difficult (and costly). Making reports meaningful for monitoring requires that reports explain the reason for unusual results.

To monitor short-term progress, the Region used a variety of reports to update its management council, board, and local communities. The most common were routine verbal reports and briefing notes that outlined activities completed since the last report. Verbal reports sometimes explained the reason for progress (such as careful work with communities takes longer but may help to sustain the results achieved). Each quarter, the board, through its Planning Committee, reviewed a list of 'dashboard'[5] measures. Most of these measures focused on financial and acute care issues rather than the Region's planned priority outcomes.

Reports about activity results were reasonably regular. The CEO used an informal system to monitor the frequency of written briefing notes provided to the board on each priority outcome. At about six-month intervals, the Region provided written updates to the board on activities related to its two key planning documents–the Primary Health Care Plan and its Population Health Promotion Plan. Periodically, the Region, using a written update listing completed activities, reported results to each community.

The Region reported health outcome results at reasonable intervals. Every two to three years, the Region created health status reports. These reports provide historical trends and compare its progress on priority outcomes to provincial progress (e.g., the average of results in other health regions). Also, as the Minister of Health requires, the Region's annual report shows, for each provincial indicator, its results, and the provincial results and target (if available). The Region managed the cost of reports on mid- to longer-term outcomes with periodic surveys or use of regional Statistics Canada reports.

Analyzing results

The Region had written policies that show its intention to evaluate its progress and programs and analyze whether it is achieving its targets. The Region had a detailed plan to evaluate its priority outcomes (e.g.,

[5] All regions are required to report quarterly on a set of about 40 "dashboard" measures, in addition to other provincially determined measures that are reported annually.

surveys in 2008 and 2010). In 2006, the Region used primarily activity reports to monitor small steps toward long-term priority outcomes. These reports contained limited analysis.

The Region's quarterly 'dashboard' reports to the board did not include analyses or comments to explain differences between actual results and those planned.[6] Although the Region's updates to committees showed what was done to date, they did not forecast completion dates or indicate what progress was expected. Without periodic analysis of results compared to plan, readers cannot tell if progress was sufficient to achieve the outcomes as planned.

To monitor its results adequately, the Region needs written reports at least annually that compare results to plans. Reports should include written analysis, a forecast of when the Region expects activities to be completed and outcomes achieved, and should explain key differences between actual results and plans. Also, written analysis would help the Region determine if its strategies are working and resources are adequate to achieve its planned results.

13. **We recommend that Five Hills Health Region prepare, at least annually, written progress reports for its strategic priorities that include analysis of results (i.e., activities and outcomes). Analysis should compare actual results to baselines and planned targets, include forecasts, and explain why the results vary from the plan.**

Use performance information to support decisions

We expected the Region would use performance information (reports explaining results) to help it align resources to achieve expected outcomes. In addition, we expected the Region would realign its strategies when reports showed less progress than planned. We anticipated the Region would use its reports on results to help manage risks that could prevent it from achieving its priorities.

[6] Dashboard reports visually present key data in summary format, in much the same way that a car dashboard works.

The Region clearly expects its senior managers to use performance information to monitor progress and inform decisions. The Region used available reports to modify action plans and help maintain the commitment of others, such as its community partners, to help it achieve its priorities. However, as previously noted, the Region's performance reports were primarily activity reports with limited analysis. This limited analysis made the reports less useful for aligning human and financial resources, and managing risks. The Region has set up processes that will help it evaluate outcomes in the future.

Using reports to align resources

The Region's policies and its CEO encourage managers to focus on evidence, measurement, and information to make decisions such as allocating human and financial resources. Its plans (such as the Population Health Promotion Plan and work plans) show the Region allocates resources (time and money) to its priorities.

Senior managers used available reports about results to plan; less often, managers used reports to monitor progress. For example, for the priority outcome of injury reduction, the Region noted that Saskatchewan's 2003 rate of early deaths due to injuries was the highest in Canada.[7] The Region had a good long-term plan to evaluate outcomes (e.g., using surveys). However, its processes to evaluate progress made little use of reports about outcomes—rather they focused on activities completed during the year. The Region did not analyze whether it had allocated sufficient resources to achieve the expected outcomes.

The Region has not yet evaluated whether it is making reasonable progress on its priorities by the dates planned. In part, this may be due to few short-term targets. Analysis of progress toward short-term targets (one to three years) would help managers to realign their strategies in a timely way. The Region has plans to improve its information about outcomes.

14. **We recommend that Five Hills Health Region support its decisions to align resources to expected outcomes using reports that analyze progress toward planned priorities.**

[7] See potential years of life lost in "Supporting Evidence: Population Health Promotion Plan".

Using reports to realign strategies

The Region used the input of local action committees to realign strategies to achieve its planned outcomes. During planning meetings, senior managers informed the action committees about proven strategies to achieve outcomes. Managers used draft plans and discussion to inform the committees.

As previously noted, the Region gave the local action committees updates on activities completed. The committees then decided whether they needed to realign their strategies to achieve the desired results. Written forecasts of expected future progress would help the Region to realign its strategies to achieve its planned outcomes.

The Region used a committee of senior managers (called the "Quality Improvement Unit") to oversee quality improvement and risk management. It expects this Unit to use reports showing trends to identify and manage risks. This Unit looked for ways to improve service delivery and oversaw special projects that will improve health services and program strategies across the Region. For example, in 2006, the Unit trained two staff to use a reporting tool[8] that helps identify issues and ways to measure outcomes. To date, the Unit has focused on process improvements and on maintaining the Region's accreditation status.

Using reports to manage risks

In 2005, the Region adopted a risk-management framework and used it in 2006 to identify broad regional risks. To manage specific risks that could prevent it from achieving priority outcomes, the Region used two major processes.

First, the Region continued to work with its many partners to reduce risks that could prevent the achievement of its planned priorities. The Region used 'update reports' to inform its partners about risk and strategies to manage them. For example, the Population Health Promotion Plan Update (October 2006) outlines challenges facing the Region as it strives to achieve outcomes like increased levels of physical activity.

[8] Continuous Accountability Reporting Tool.

Some risks identified were general (e.g., retaining staff, meeting the high expectations of the public). Other risks related to specific outcome targets (e.g., obtaining municipal support to make bike paths safer to achieve reduced injuries and increased physical activity). Identifying risks tnat are specific to each priority outcome helped the Region to use its 'update reports' to manage risks in a focused and timely way.

Second, the Region used a PDSA quality improvement process (i.e., plan, do, study, and act). Many managers used this process to manage risks. This process required managers to identify targets and collect performance information to focus attention on how to achieve planned outcomes most efficiently. For example, in late 2006, the Region's Falls Prevention Committee began to use the PDSA process to identify people at risk of falls and to set short-term targets for rapid progress in preventing falls. In December 2006 to January 2007, the Region also used the PDSA process to achieve a marked reduction in wait times for admission to the addictions program.

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Learning

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Main points

This chapter reports the results of the audit of the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission) for the year ended June 30, 2006.

We report that the Commission needs to do more work to fully address our past recommendations. It needs to develop and implement both a strategic plan and a communication plan. It also needs to approve an adequate information technology plan and information technology policies and procedures based on a threat and risk assessment.

Also, the Commission needs to prepare a written disaster recovery plan for its critical information technology systems and regularly test that plan to ensure it works.

Introduction

In February 2006, the Government restructured the Department of Learning (Department). Effective April 1, 2006, the mandate of the Department is "to provide leadership in the development and operation of early learning and child care, kindergarten through grade twelve education, enhancement of literacy for all Saskatchewan people, and support for provincial library services". It also continues to have responsibility for the Teachers' Superannuation Commission (Commission).

In Chapter 3 of our 2006 Report – Volume 3, we reported the results of our 2006 audits of the Department and related special purpose funds and agencies except for the results of our audit of the Teachers' Superannuation Commission. This chapter sets out the results for the June 30, 2006 audit of the Teachers' Superannuation Plan (Plan) that the Commission manages.

Teachers' Superannuation Commission

The Commission operates under the authority of *The Teachers' Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by Cabinet. The Commission's primary roles are to:

- provide retirement and related benefits to teachers
- assist the Government of Saskatchewan in its responsibility for ensuring that there is sufficient money in the Teachers' Superannuation Fund to pay all allowances and other amounts out of the Teachers' Superannuation Fund as they become due and payable

The Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund. In 2005-06, the Plan recorded contributions of $13.6 million from teachers and $84.6 million from the Department of Learning. At June 30, 2006, the Plan held assets of $1.7 billion and had accrued pension benefits of $4.8 billion.

The Plan is significant to the Government, members of the Plan, and the public. The Plan has an unfunded liability of over $3 billion, which is the responsibility of the Government.

Audit conclusions and findings

In our opinion, for the year ended June 30, 2006:

- the Commission had adequate rules and procedures to safeguard public resources except for the matters described below
- the Commission complied with authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the Plan's financial statements are reliable

Governance processes need improvement

In our 2003 Report – Volume 1, we reported that the Government's pension plans needed to improve their governance processes. We recommended that the pension plan boards:

- develop and implement strategic plans
- define their responsibilities
- define and communicate their financial and operational information needs
- develop and implement communication plans
- establish policies for code of conduct and self-assessment

In September 2004, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendations.

In our 2006 Report – Volume 1, we repeated the recommendations we made in our previous report.

As part of our 2006 audit, we assessed the Commission's progress towards addressing our past recommendations. The Commission has

made some progress. However, it has not yet developed a strategic plan including the goals and objectives of the Plan, the Plan's risks and the key strategies to manage those risks. Nor has it established a formal communication plan.

The Teachers' Superannuation and Disability Benefits Act sets out the general responsibilities of the Commission. In 2006, the Commission approved a governance manual that describes specific responsibilities of the Commission. The manual also describes the specific tasks that the Commission must do, and by when, to meet its fiduciary duties. The manual includes a general description of the Commission's financial and operational reporting needs, and guidance on conflict of interest. It also requires the Commission to perform a self-assessment annually.

We continue to recommend that the Teachers' Superannuation Commission:

- develop and implement a strategic plan for the Teachers' Superannuation Commission that includes the Plan's goals and objectives, a summary of the key risks faced by the Plan and its members, and the key strategies to manage those risks
- develop and implement written communication plans

Security policies and procedures for information technology (IT) need improvement

In our 2006 Report – Volume 1, we recommended that the Commission approve an information technology plan and information technology policies and procedures. In October 2006, PAC considered this matter and agreed with our recommendation.

In 2006, the Commission established and approved some general IT policies and procedures, but those policies were not based on a threat and risk assessment. Nor did the established policies and procedures include:

- responsibility for security
- password security
- granting and revoking access

- physical security
- environmental controls over the network

The Commission's policies and procedures must specifically address the needs of the Commission. They must also be communicated to the Commission's staff through an on-going awareness program.

The Commission has an IT strategic plan. However, the plan is not adequate as it does not contain information about IT risks, action plans to reduce those risks, and resources needed to carry out the plan.

We continue to recommend that the Teachers' Superannuation Commission approve an adequate information technology plan and information technology policies and procedures based on a threat and risk assessment.

Disaster recovery plan needed

In our 2006 Report – Volume 1, we recommended that the Commission prepare a written disaster recovery plan for its critical information technology systems and regularly test that plan to ensure it works. In October 2006, PAC considered this matter and agreed with our recommendation.

In 2006, the Commission started to prepare a disaster recovery plan. The Commission outlined significant risks, prioritized its applications, and developed a high-level disaster recovery strategy. However, the Commission has not completed the detailed plan or tested the effectiveness of the plan.

We continue to recommend that the Teachers' Superannuation Commission prepare a written disaster recovery plan for its critical information technology systems and regularly test that plan to ensure it works.

Liquor and Gaming Authority

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Main points

In this chapter, we report the results of our audit of SIGA's project management processes for the Dakota Dunes Casino for the period ending December 31, 2006.

We report that SIGA had adequate project management processes to manage the Dakota Dunes Casino project except that SIGA needs:

- adequate project plans and financing prior to starting major work on construction projects
- adequate dispute resolution processes with its key partners on these projects
- to improve construction progress reports it provides to the Board

We make four recommendations to help SIGA improve its project management processes.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act*. In addition to operating liquor stores and video terminals in the Province, Liquor & Gaming owns and manages the slot machines at the Saskatchewan Indian Gaming Authority Inc.'s (SIGA) casinos.

We reported the results of our audits of Liquor & Gaming and SIGA for the year ended March 31, 2006 in our 2006 Report – Volume 3. This chapter describes the results of our audit of SIGA's project management processes for the Dakota Dunes Casino project.

Background

SIGA is a non-profit corporation established by the Federation of Saskatchewan Indian Nations (FSIN) to operate casinos established pursuant to the 2002 Framework Agreement between FSIN and the Government of Saskatchewan. Under *The Criminal Code of Canada*, only governments can own and manage electronic gaming devices (slot machines). The Government uses SIGA to operate its slot machines at FSIN's casinos under the Liquor & Gaming's direction.

The 2002 Casino Operating Agreement between SIGA and Liquor & Gaming entitles SIGA to deduct, from the slot machine revenues, the casinos' operating expenses incurred in accordance with the operating policies and directives approved by Liquor & Gaming. SIGA must remit the remainder of slot machine revenue to Liquor & Gaming in accordance with the formula described in the 2002 Casino Operating Agreement.

Under the 2002 Framework Agreement, SIGA had the sole right to establish a casino in the Saskatoon area for a specific time period. In 2003, SIGA announced its plans to establish the Dakota Dunes casino at the Whitecap Dakota First Nation (Whitecap) near Saskatoon. In July 2004, the Government approved SIGA's plan. At the end of 2004, SIGA made an agreement with the Saskatoon Tribal Council (Tribal Council) for the construction and lease of a casino building at Whitecap. The Tribal Council agreed to construct a building shell (i.e., base building without any interior finishing) and lease the building and related land to SIGA. SIGA also agreed to pay to the Tribal Council up to the amount by which

the direct building costs exceed the net proceeds available to the Tribal Council from its own financing. SIGA will complete the leasehold improvements necessary for a casino operation.

Work on the Dakota Dunes project began in 2005. SIGA expects the building shell to be completed by March 2007 and the leasehold improvements by August 2007. SIGA plans to open the Dakota Dunes Casino in September 2007.

The Dakota Dunes Casino is a significant project. The new casino will have a floor space of approximately 80,000 square feet housing approximately 20 table games, 550 slot machines, and dining/ entertainment facilities. The total budgeted cost for the project is approximately $62 million excluding the cost of slot machines supplied by Liquor & Gaming. SIGA expects the casino to generate annual net income of approximately $18 million and create about 350 jobs.

Large construction projects are inherently risky. These risks fall into three broad categories:

- Economic risks – e.g., cost overruns, access to financing
- Capacity risks – e.g., availability of staff and contractors with needed capabilities, inadequate needs analysis
- Construction risks – e.g., construction quality, changing project scope, safety and environmental concerns

Sound project management processes can reduce these risks and increase the likelihood of a project's success.

In our 2006 Report – Volume 3, we reported our plan to assess the adequacy of SIGA's project management practices for the Dakota Dunes Casino project.

Our plan was to examine SIGA's project management processes in two phases. In the first phase, we planned to develop and agree with management on suitable criteria. We also planned to examine SIGA's processes for the project work up to December 2006. The second phase will cover the project work done from January 1 to August 31, 2007. We plan to complete the second phase of our work before the casino opens.

We have now completed the first phase of our work. We expect our recommendations will help SIGA to manage the construction of two other upcoming projects, a new casino in Swift Current and a replacement casino in Yorkton.

Our audit objective

The objective of the first phase of this audit was to assess SIGA's project management processes for the Dakota Dunes Casino project for the period from April 1, 2005 to December 31, 2006.

We followed *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. This included developing suitable criteria, reviewing and evaluating relevant processes, and obtaining sufficient and appropriate audit evidence to support our conclusions.

Our criteria

We used the following criteria to assess the adequacy of SIGA's processes. We based these criteria on a review of available literature, work of other auditors, prior audit work of our Office, and discussions with management. SIGA accepted the criteria as reasonable standards for assessing its processes.

To have adequate project management processes for the Dakota Dunes Casino project, SIGA should:

- establish requirements for the construction project
- monitor the status of the project
- address concerns

We describe the criteria more fully under key findings by criteria.

Our conclusions and recommendations

We conclude that SIGA had adequate project management processes for the Dakota Dunes Casino project for the project work up to December 31, 2006 except for the matters covered by our recommendations below.

1. We recommend that the Saskatchewan Indian Gaming Authority have adequate project plans before starting major construction projects.

2. We recommend that the Saskatchewan Indian Gaming Authority finalize financing arrangements before starting major construction projects.

3. We recommend that the Saskatchewan Indian Gaming Authority have dispute resolution processes with its key partners before starting major construction projects.

4. We recommend that the Saskatchewan Indian Gaming Authority provide the Board of Directors complete and accurate progress reports on major construction projects.

Key findings by criteria

In this section, we describe what we expected (in italics) and our findings for each of the criteria.

Establish requirements for the project

To ensure the project meets its established requirements, we expected SIGA to have processes to ensure:

- *project specifications meet SIGA's identified needs*
- *key project milestones are set for the project*
- *the Board approves the total cost and costs by key stages*
- *the Board approves the financing arrangements*
- *the project team members have appropriate qualifications*
- *the Board and management have sufficient information to monitor the project*
- *appropriate tendering processes are followed for selecting contractors*
- *its key partners know and agree with their respective responsibilities specifically for project changes, cost overruns, and dispute resolution*

SIGA had adequate processes to establish requirements for the project with the following exceptions. SIGA needs to seek timely Board approval

of complete project plans, finalize financing arrangements prior to commencement of construction, and establish formal dispute resolution processes with its project partners.

SIGA's Board approved a complete project plan (charter) in May 2006. The charter included a description of the project, the project scope, and the general responsibilities of the project team. The project charter also outlined key phases of the project including project integration, construction, casino interior finishing, casino staffing, and casino marketing. The project integration phase required management to develop a detailed project management plan (including work breakdown, detailed project schedule, detailed budget, and reporting requirements), a risk management plan, a quality management plan, a communications plan, and a procurement plan.

Although the Board had approved the project in principle and the project capital budget in 2005, a complete project plan was not approved until May 2006. However, work on the project began in the summer of 2005. By May 2006, project expenditures totalled approximately $10 million. Incurring significant costs prior to formal approval of a complete project plan increases the risk that the work done may not meet the desired quality or design requirements. This could result in additional costs and/or delays in project completion.

SIGA followed its established processes to select a lending institution to help finance the project. In January 2006, SIGA signed a letter of intent with a bank setting out the general terms of financing with a view to negotiate a complete financing agreement later. In July 2006, SIGA obtained interim financing of $9.6 million for the project. In November 2006, SIGA obtained additional interim financing of $10.4 million. SIGA has not yet concluded, and the Board has not yet approved, a final financing agreement with the bank. Lack of a formal lending agreement increases the risk of higher borrowing costs and could result in cash flow difficulties.

SIGA's agreement with the Tribal Council sets out the overall responsibilities and financial obligations of each party for the project. SIGA uses regular communications and project team meetings with the Tribal Council to ensure both parties understand and accept these responsibilities. However, the agreement with the Tribal Council does not

include a process for resolving disputes. The agreement covers both the construction and long-term lease of the facility. Absence of a formal dispute resolution process increases the risk of delays in completion of the project resulting in additional costs.

Monitor the status of the project

To adequately monitor the status of the project, we expected SIGA to have processes to:

- *monitor the actual project status compared to the approved plan and develop/revise action plans if needed*
- *prepare reports for the Board comparing the actual project status (both costs and stage of completion) to the approved plan with explanations of significant differences*
- *review the status of key risks identified for the project*
- *assess the reliability of information provided by key partners*
- *verify reported information, where necessary*

SIGA had adequate processes to monitor the status of the project except that it needs to improve its progress reports to the Board.

SIGA developed a detailed budget for the project in 2005. In September 2005, SIGA's project team began providing SIGA's Board with monthly project status reports. These reports included a summary of project progress and any issues that the project team faced. These reports also included a summary of planned and actual capital costs with a brief explanation of any significant differences.

However, the reports were not adequate because they did not include information on all of the non-capital planned and actual project costs (e.g., salaries, legal fees, consulting, rent, etc.). Also, the reported costs did not agree to SIGA's accounting records and the reports did not include a comparison of planned and actual dates for each phase of the project.

In May 2006, management revised the project status reports it gave to the Board. Starting in July 2006, the reports to the Board included a summary of the project status, project schedule, project capital costs, project risks, project management issues, and project change requests. The reports

also included a comparison of planned and actual dates for key phases of the project with explanations for significant differences.

In December 2006, management improved its reports to the Board to include a comparison of non-capital planned and actual project costs and an explanation of significant differences. SIGA continues to work on improving these reports to ensure planned amounts reported agree to detailed approved budgets and actual amounts reported agree to SIGA's accounting records.

Address concerns

To ensure that potential problems on the project are adequately managed, we expected SIGA to have processes to:

- *identify key risks and action plans to manage those risks*
- *regularly assess the status of the project's risks*
- *approve change requests that meet defined criteria*
- *communicate required actions to affected parties*
- *take appropriate action*

SIGA had adequate processes to properly address any potential problems to ensure the project continued as planned. SIGA identified and evaluated key risks to the project in its risk management plan. When SIGA determined that identified risks were above an acceptable level, management prepared a plan setting out actions needed to address the risks including any project change requests. SIGA's project team communicated required actions to the appropriate parties and was responsible to ensure appropriate action was taken.

For example, SIGA determined that exceeding the overall project budget was a key risk that it must manage. SIGA's strategies to reduce this risk included approving the Tribal Council's building contractor selection (for the building shell construction) and the significant terms of the construction contract. Also, to help avoid any cost overruns, SIGA monitored construction progress, construction quality, and compliance with approved specifications prior to approving progress payments.

SIGA's delegation of authority policy sets out who can approve project change requests. All change requests (regardless of amount) must go to

SIGA's Board. Significant change requests require Board approval. SIGA's Board approved all significant project changes.

Next phase of our work

As noted previously, we plan to complete this audit in two phases. The second phase of our audit will cover the project work from January 1, 2007 to August 31, 2007. We plan to complete the second phase before the casino opens to the public.

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Workers' Compensation Board

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Main points

In this chapter, we report the results of our audit of the Workers' Compensation Board (WCB) and the Pension Plan for the Employees of the Workers' Compensation Board (Pension Plan) for the year ended December 31, 2006. The WCB administers the Pension Plan.

We concluded that, in 2006, the WCB had adequate processes to safeguard its and the Pension Plan's public resources and had complied with the law. Also, the financial statements for the WCB and the Pension Plan are reliable.

In this chapter, we also report on our examination, in 2006, of the adequacy of the WCB's succession management processes. We concluded that the WCB had adequate processes for succession management.

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

The WCB is also responsible for the administration of the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board (Pension Plan). The Public Employees Benefits Agency of the Department of Finance provides the day-to-day administration of the Pension Plan. The Pension Plan has been closed to new employees since 1978.

This chapter highlights the audit conclusions and findings of the 2006 audit. The chapter also explains the results of our audit of WCB's succession management processes.

The WCB included its 2006 financial statements in its 2006 Annual Report. Those financial statements report revenue of $309 million, expenses of $290 million, and total income of $76 million. Total income consists of the net operating surplus of $19 million and other comprehensive income (net unrealized gains from investments) of $57 million. At December 31, 2006, the WCB had investments of $1,191 million and an accumulated surplus of $212 million.

The Pension Plan's financial statements are included in the Plan's annual report. Those financial statements report contributions of $0.1 million and pensions of $1.3 million. At December 31, 2006, the Pension Plan held assets of $38.8 million and owed pension benefits of $31.2 million.

Our audit conclusions and findings

Cabinet appointed Deloitte & Touche LLP, Chartered Accountants, as auditor of the WCB and the Pension Plan. Our Office worked with Deloitte & Touche using the framework recommended by the *Report of the Task*

Force on Roles, Responsibilities and Duties of Auditors[1] to form our opinions. Our Office and Deloitte & Touche formed the following opinions.

In our opinion, for the year ended December 31, 2006:

- the WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources
- the WCB complied with the authorities governing its activities and the activities of the Pension Plan relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the financial statements of the WCB and the Pension Plan are reliable

The remainder of this chapter describes the results of our audit of the WCB's succession management processes.

Succession management

The WCB employs about 430 employees; approximately 16% are out of scope. To carry out its mandate, WCB needs employees with special knowledge and skills. For example, WCB's employees use expert analysis and judgement to decide on compensation related to injuries that occur at work. Other employees perform actuarial functions, maintain critical computer systems, and handle complex human resources issues.

Due to changes in the population, employers expect that a smaller supply of future employees will be available over the next two decades. Finding and keeping employees may become a challenge, particularly for positions that require special skills. Many employers expect workforce gaps—that is, positions that are vacant or held by employees without the full range of competencies required. Workforce gaps influence whether employing agencies can achieve their objectives.

Succession management, a key part of managing human resources, is a systematic approach to make sure an agency has a continuous supply of competent employees. Succession management develops strategies so that in the future, the agency will have people in the right place, with the

[1] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

right skills. It requires a high degree of forward thinking and anticipatory action.

Succession planning at WCB is critical to ensure an effective workforce is ready to assist the WCB to achieve its objectives. Without employees with the required skills, WCB's risk of not achieving its objectives increases. To help ensure an effective workforce, the WCB needs to recruit and retain people with the required skills and create opportunities for employee career development.

Our objective

The objective of our audit was to assess whether the WCB had adequate succession management processes for the year ended December 31, 2006.

The audit examined succession management processes for the WCB's whole workforce including leadership and other key positions. To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our criteria

We used the criteria described below to do our audit. We based these criteria on relevant literature and the work of other legislative audit offices. The WCB agreed with the criteria.

Exhibit—Audit criteria for succession management

To have adequate succession management, the WCB should have processes to:

1. Analyze the workforce competencies required to achieve its objectives
2. Align its succession plan with its long-term strategic direction
3. Develop strategies for the succession of its workforce
4. Evaluate its progress

Our conclusion

We concluded that the WCB had adequate processes for succession management for the year ended December 31, 2006.

Findings by criteria

We describe below our detailed findings together with our expectation (in italics) for each criterion.

Analyzing workforce competencies to achieve objectives

To analyze the workforce needed to achieve its objectives, we expected the WCB to:

- *assess its workforce competency requirements*
- *identify its current and future supply of employees with the required competencies*
- *analyze the impact of future workforce gaps on its ability to achieve its objectives*

Assessing required workforce competencies

The WCB's *Competency Dictionary* identifies core behavioural competencies that all its employees require: achievement orientation, teamwork and co-operation, customer service, and interpersonal relations. During 2007, the WCB is further defining technical competencies in its Dictionary. In addition, job descriptions describe the behavioural and technical competencies required to do each job, and the level of competence required from basic to expert.

The WCB uses performance appraisals to assess the extent to which employees have the required competencies. It also monitors and publicly reports the percentage of employees hired using competency-based processes (86% in 2006) and those who demonstrate the skills their job requires (98% in 2006).

Management forecasts changes in the specific skills the WCB requires through annual discussions with operational managers and networking with workers' compensation boards in other provinces. Those processes help the WCB to identify changes in required competencies. For example,

the WCB is aware of an increasing need for employees who can assess complex health claims.

Identifying the current and future supply of employees

The WCB identifies its current and future supply of employees with required competencies. To assess its current supply of employees with specific skills, the WCB uses two processes. The WCB uses its performance appraisal system to assess the technical and behavioural skills of its employees and uses a computerized system to track all training and development that employees undertake. The WCB gives its employees a detailed tool to help assess their competence level for specific skills such as customer service. It also monitors the rate of turnover among its employees by work unit and position type to help it identify the risk of gaps in its supply of employees with specific skills.

To assess the future supply of employees, the WCB projects retirements six years into the future (based on age). It annually monitors the number of employees in each operating division and forecasts whether salaries are competitive. For example, the WCB is aware it may need market adjustments to attract and keep employees with specific skills. In addition, the WCB talks with post-secondary educational institutions about enrolment trends (e.g., actuarial science and information technology).

Analyzing the impact of gaps in the supply of employees

The WCB has assessed which of its positions are essential to achieve its objectives. The WCB's *Succession Management Framework* describes its analysis of how specific types of vacancies would affect it. The analysis considers the depth of expertise or knowledge required, and the availability of that talent in WCB and in the labour force generally.

The WCB analyzes the cumulative impact of gaps in its total workforce through its monthly monitoring of vacancies by position and work unit. It also monitors annually the ratio of job postings to the number of positions in each division (i.e., the amount of internal and external movement within divisions). For example, in 2006, the employer accounts division had about one posting for every three positions.

Furthermore, the WCB assesses gaps in individual competencies for managers. Individual performance appraisals explicitly show the gap

between existing competencies and those needed to do the job. This information also helps the WCB to assess if it has employees who would be ready to fill potential vacancies across the agency.

Aligning succession management

We expected the WCB to:

- *align its succession plan with its human resource plan and strategic direction*
- *communicate its overall succession strategies*

Aligning the succession plan with strategic direction

The WCB's strategic and operational plan sets out its goals for a three-year period. The current strategic plan sets out seven key result areas including competent people, financial integrity, and excellent service. These key result areas help the WCB identify which competencies are essential to achieve its objectives.

The WCB also aligns its operational plans closely with its overall strategic direction. For every strategy, the human resources plan states how it relates to the strategic key result areas and objectives. The WCB's human resources officials regularly meet with managers in every division. They use these meetings to identify and plan for succession issues so that the WCB can help its business units to align their workforce competencies with the overall strategic direction.

Also, the WCB aligns its succession strategy with its human resource operational plan and designs its human resource activities to help promote effective succession management. For example, the WCB identified that it did not have sufficient case managers[2] to cover vacations and to quickly fill vacancies. In 2006, the WCB developed a strategy to address its shortage of case managers and other key positions. The WCB then talked with its union, set up a process, and selected and trained employees for key positions before critical vacancies occurred. These employees now gain experience (e.g., covering vacation leaves) before moving into permanent positions.

[2] Case managers coordinate services for workers related to their claims for compensation due to injuries that occurred at work.

Communicating overall succession strategies

The WCB communicates its overall succession strategies. Operational directors, executive management, and the board receive regular updates. The updates outline current human resources issues and the broad strategies planned to address them. For example, the 2006 fourth quarter update to the board described progress on training and employment equity strategies. The WCB uses its employment equity strategies to help increase the extent to which its workforce represents designated groups (e.g., women, people with disabilities, visible minorities, and Aboriginal people).

Developing strategies for workforce succession

To develop strategies for workforce succession, we expected the WCB to:

- *prepare strategies to bridge identified workforce gaps*
- *coordinate succession strategies with human resource processes*
- *address risks that could impact the strategies*

Bridging identified workforce gaps

The WCB employment equity and workplace culture strategies help address overall workforce shortages. The WCB shapes its workplace culture with strong wellness programs like smoking cessation and physical exercise for fitness. WCB uses its flexible work hours and job share options to attract people from the equity groups and others who might not otherwise seek employment at the WCB.

Training and knowledge transfer dominate the WCB's strategies to bridge gaps in the supply of people competent to fill key positions. Its training strategy supports its employees in preparing for other positions within the WCB. For example, the WCB has a cross-training strategy that allows additional temporary positions to enable the transfer of knowledge necessary for working as claims-payment specialists. The WCB also provides extensive training to prepare claims entitlement specialists[3] and case managers. To help bridge gaps in leadership, the WCB's management training includes formal programs, such as *Excelerator Coaching* and *Legacy Leadership* that include self-assessment tools.

[3] Claims entitlement specialists determine if a worker is entitled to benefits due to a workplace injury.

Coordinating succession strategies with other processes

The WCB integrates its succession strategies with its human resources processes to find, develop, and keep employees. To expand the number of applicants and fill future workforce gaps, the WCB increased its efforts to hire employees who represent specific equity groups. In 2006, the WCB expanded its efforts to hire Aboriginal people. The WCB took part in a career fair at the First Nations University of Canada. The WCB is an equity partner with the Saskatchewan Human Rights Commission and it advertises itself as an equity partner to attract applications from people with disabilities and other employment equity groups. Also, the WCB has a summer employment program that helps provide young people with work experience and build awareness of potential career paths with the WCB (e.g., in information technology).

The WCB coordinates succession strategies with its performance appraisal process. In their development plans, the WCB's employees identify training that they need for their current or future positions. Performance appraisals identify courses successfully completed and show the level of behavioural and technical competence achieved. This helps the WCB identify employees who are ready for promotion or transfer to other positions.

Addressing risks to succession strategies

The WCB identifies risks to its succession strategies and addresses the major risks that could negatively affect its succession strategies. To focus its succession strategies, the WCB analyzed the impact and likelihood of vacant out-of-scope positions. Out-of-scope positions include team leaders, claims specialists, operational directors, and other managers. The WCB's *Succession Management Framework* identifies the positions that require longer learning periods and, if vacant for long periods, could affect the WCB's performance. Knowing the positions most in need of succession planning helps the WCB focus its efforts and manage risks.

Evaluating progress for succession management

To evaluate its progress, we expected the WCB to:

- *monitor its progress in addressing workforce gaps*
- *evaluate the results of its succession strategies and modify the strategies as needed*

Monitoring progress

The WCB uses human resources reports to monitor its progress in addressing or preventing workforce gaps. Annually, for each operational division, the WCB analyzes the reported rate of turnover and projects retirements six years into the future based on the age of its employees. The reports also show whether WCB fills its vacancies with internal or external candidates. The WCB also monitors the percentage of its employees who had a performance appraisal in the last 14 months.

Evaluating the results and modifying succession strategies

The WCB evaluates its major succession strategies such as training and hiring people in employment equity groups. The WCB also plans a broader evaluation of its succession strategies in late 2007.

In 2006, the WCB used a post-training assessment of performance to evaluate its training for case managers—a key position requiring succession management. It also evaluates progress compared to its targets for hiring people from employment equity groups including people with disabilities and Aboriginal people.

The WCB's succession management processes are evolving. For example, in 2005, the WCB added an employment equity strategy. Its workforce analysis showed it could significantly increase the diversity of its employees. In 2006, the WCB modified its practices to find and keep more Aboriginal employees. In 2007, it increased its training strategies.

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Saskatchewan Government Insurance

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Main points

In this chapter, we report that the financial statements of Saskatchewan Government Insurance (SGI), its pension plan, the companies SGI owns, and the Saskatchewan Auto Fund (Auto Fund) all for the year ended December 31, 2006 are reliable. SGI had adequate processes to safeguard its public resources, resources of the pension plan, companies it owns, and the Auto Fund. In addition, SGI complied with authorities governing its activities and the activities of its pension plan, companies it owns, and the Auto Fund.

This chapter also reports the results of our audit of SGI's project management processes for the Auto Fund Redevelopment Project for the year ended January 31, 2007. The Auto Fund Redevelopment Project is a significant investment in information technology that SGI will use to deliver Auto Fund products (e.g. vehicle insurance and registrations). We concluded that SGI had adequate processes to manage the project except that it needs to:

- monitor the benefits it expects
- document its risks, security, and communication strategies

We make two recommendations to help SGI improve its project management practices.

Introduction

Saskatchewan Government Insurance (SGI) sells property and casualty insurance in Saskatchewan. Its wholly-owned company, SGI CANADA Insurance Services Ltd. (SCISL), sells property and casualty insurance in Manitoba and Alberta.

Also, SCISL owns 100% of the issued shares of Coachman Insurance Company (Coachman) and 75% of the issued shares of Insurance Company of Prince Edward Island (ICPEI). Coachman sells property and casualty insurance including automobile insurance in Ontario. ICPEI sells property and casualty insurance including automobile insurance in Prince Edward Island, Nova Scotia, and New Brunswick.

SGI also manages the Saskatchewan Auto Fund (Auto Fund). The Auto Fund is Saskatchewan's compulsory automobile insurance program. It receives money from the motoring public and pays claims. The Auto Fund does not receive any money from the General Revenue Fund (GRF). Nor does it pay any dividends to the GRF or the Crown Investments Corporation. The financial results of the Auto Fund are not included in SGI's financial statements.

SGI sponsors the Saskatchewan Government Insurance Superannuation Plan (SGI Plan). The SGI Plan is a defined benefit pension plan (closed to new members since 1978). The Board of Directors of SGI is responsible for administration of the SGI Plan under *The Pension Benefits Act, 1992*. The primary objective of the SGI Plan is to provide pensions to retired employees and the dependents of deceased pensioners and employees of SGI. SGI provides day-to-day management of the SGI Plan.

The 2006 annual report for SGI includes its consolidated financial statements (including the operating results of the companies SGI owns) for the year ended December 31, 2006. Those statements report revenue of $321.4 million, net profit of $52.1 million, total assets of $662.5 million, and retained earnings of $81.6 million.

The 2006 annual report for the Auto Fund includes its financial statements for the year ended December 31, 2006. Those statements report revenue of $641.1 million, net increase to the rate stabilization

reserve (net profit) of $57.0 million, total assets of $1,317.8 million, a rate stabilization reserve of $205.6 million, and a redevelopment reserve of $33.7 million.

The SGI Plan's annual report includes its financial statements for the year ended December 31, 2006. Those statements report contributions from employees and SGI of $0.1 million, pensions and refunds of $4.0 million, net assets of $45.7 million, and pension benefits owing of $45.2 million.

Our audit conclusions and findings

Cabinet appointed KPMG LLP auditor for SGI and the Auto Fund. The Boards of Directors for SCISL, Coachman, and ICPEI appointed KPMG as auditor for those companies. Also, SGI appointed KPMG as auditor for the SGI Plan. Our Office worked with the appointed auditor using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] Our Office and KPMG formed the following opinions.

In our opinion, for the year ended December 31, 2006:

- SGI, SCISL, Coachman, and ICPEI had adequate rules and procedures to safeguard their public resources and those of the Auto Fund and the SGI Plan
- SGI, SCISL, Coachman, and ICPEI complied with authorities governing their activities, those of the Auto Fund and the SGI Plan relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the financial statements of SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Plan are reliable

The remainder of this memorandum reports the result of our audit of SGI's project management processes for the Saskatchewan Auto Fund Redevelopment Project for the period from February 1, 2006 to January 31, 2007.

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Saskatchewan Auto Fund Redevelopment Project

SGI is replacing the computer system that it uses to deliver Auto Fund products (e.g. vehicle insurance and registrations). The project commenced in 2005. SGI plans to deliver the system in five releases and complete the project in 2010.

SGI relies on its information technology systems to deliver Auto Fund products and services to the motoring public. SGI told us that the current system is out-dated and changes required to meet business demands are becoming increasingly difficult and expensive. SGI also told us that the new system would provide better and more accessible information, enable SGI to respond more quickly to Auto Fund customers, and better position the Auto Fund to meet its future demands.

In 2005, SGI estimated that the cost for the Auto Fund Redevelopment Project would be $35 million. SGI established a $35 million Redevelopment Reserve to meet the Auto Fund's commitment to this project.[2] SGI has spent about $6 million on the project as at December 31, 2006.

The Auto Fund Redevelopment Project is a significant investment in information technology (IT). Large IT projects are inherently risky. Strong project management controls and processes can reduce these risks and increase the likelihood of a project's success. Sound controls help ensure projects:

- are done on time (time management)
- are done on budget and include all costs (cost management)
- meet the needs of the organization and its clients (scope management)
- use quality standards including independent quality reviews (quality management)

We audited SGI's project management processes to report to the Legislative Assembly and the public how SGI is managing this significant project.

[2] 2005 Saskatchewan Auto Fund Annual Report, page 23

Our objective and criteria

Our audit objective was to assess whether SGI has adequate project management processes for the Saskatchewan Auto Fund Redevelopment Project for the period February 1, 2006 to January 31, 2007.

To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Exhibit 1 sets out the criteria that we used for this audit. The criteria are based on international project management standards, literature, and reports of other auditors (see selected references). We discussed the criteria with SGI's management. Management agreed that the criteria are reasonable and attainable.

Exhibit 1-Audit criteria

For the Saskatchewan Auto Fund Redevelopment Project, SGI should have:

1. adequate processes to maintain management and stakeholder commitment to the project
2. adequate processes to track and report on the realization of the project's benefits
3. adequate project management practices and reports

Adequate project management practices include integration management, scope management, time management, cost management, quality management, human resource management, communications management, risk management, and procurement management (see Exhibit 2 on page 129).

Our conclusion

We concluded that SGI had adequate project management processes for the Saskatchewan Auto Fund Redevelopment Project except that it needs to:

- have processes to monitor the benefits it expects
- document its risks, security, and communication strategies

Our detailed findings and recommendations

We describe below our detailed findings together with our expectations (*in italics)* and recommendations for each criterion.

Criterion 1—Maintaining management and stakeholder commitment

We expected SGI to have project management processes to obtain and maintain strong senior management commitment to the project. We expected senior management would:

- *ensure that the project fits within SGI's strategic plan*
- *be accountable for the success of the project*
- *establish a strong project team with adequate resources to carry out the project*
- *have clear communication and reporting throughout the project*

SGI has adequate processes to maintain management and stakeholder commitment. The project fits within SGI's strategic plan, and SGI views it as a key project for the Auto Fund.

SGI has established a steering committee consisting mostly of executive managers. Two executive managers (the Vice President responsible for the Auto Fund, and the Vice President, Systems) have overall responsibility for the project. The executive managers have established processes to monitor the progress of the project. Those processes include regular steering committee meetings to review the status of the project, human resource issues, communications to end users, and any other critical issues. Under criterion 3, we discuss the need for SGI to document its communication strategy to stakeholders.

SGI has a strong project team to carry out the project. It has also hired contractors to assist in developing the new system. SGI assigned two project managers to oversee the project. One of those project managers is a hired contractor. Senior employees with a good understanding of the Auto Fund business also act as team leaders for key parts of the project. This will assist in the transfer of knowledge to SGI staff upon completion of the project. However, SGI could improve its documentation to facilitate the transfer of knowledge from each project phase and at the project's

completion. Such documentation is necessary especially when project teams include hired contractors. Management told us it plans to improve its documentation of how it will facilitate the transfer of knowledge to its staff from each project phase.

Criterion 2—Tracking and reporting on the realization of the project's benefits

We expected SGI would:

- *set out expected benefits of the project based on a strong business case that is consistent with its vision, strategic goals, and objectives*
- *have a process to quantify and track project benefits throughout the project and after implementation*

The benefits outlined should be measurable and management should report regularly on the achievement of the benefits. The business case should outline the full costs of the project and compare the costs to the expected benefits.

SGI told us that the primary benefit of the project is the replacement of the aging computer system that is not sustainable in the future. Also, SGI has set out other expected benefits in the project plan. Those benefits include improved customer service, increased staff satisfaction, and increased responsiveness to business change. However, SGI has not documented targets and criteria for measuring those benefits. Nor has it documented who is responsible for monitoring and tracking those benefits and how. Lack of clearly assigned responsibility could impede SGI in assessing how well it achieved the benefits it set out for the project.

SGI also developed estimates of expected cost savings with the new system. SGI expects to achieve an average savings of about one million dollars every year for the next 15 years, the expected life of the new system. However, SGI does not have sufficient documentation to support its expected saving (e.g., the basis for arriving at the estimated savings including assumptions used). A written analysis would help SGI to assess the reasonableness of the expected cost saving and to achieve the expected benefits.

1. We recommend Saskatchewan Government Insurance have processes to monitor the benefits it expects from the Saskatchewan Auto Fund Redevelopment Project.

Project managers told us that they plan to report to senior management on whether the project achieved the benefits that SGI set out in the project plan.

Criterion 3—Project management practices and reports

Good project management systems and practices as outlined in Exhibit 2 help ensure that project teams meet deadlines, contain costs, and meet requirements. We expected SGI would have processes to:

- *control the development and implementation of the project*
- *plan and report progress against the plan*
- *ensure project teams collectively have the necessary experience, skills, and leadership to manage the project including managing risks and quality of work, and communicating progress and successes*

SGI has established processes to manage all aspects of the project including the scope, budget, time, and human resources. It has processes to monitor key aspects of the project through periodic meetings that discuss the project status, issues, and coordination of the timing of required tasks. The project team tracks the progress of individual parts of the project through various reports.

SGI structured the project in a way to allow staggered implementation of the new system. It plans to implement release one in April 2007 and the final release in 2010. The planned first release is a relatively small part of the system that does not affect the issuance of driver licenses or vehicle registrations. The staggered approach gives the project team sufficient time to resolve any significant issues before beginning to implement the next part of the project.

The project managers have some processes to address key issues such as risk management, application security, and system development methodology. However, SGI did not adequately document key decisions and plans related to these issues. For example, SGI did not adequately

develop and maintain a detailed project risk document and the planned strategies to reduce those risks. Because large IT projects are inherently risky, good project management practices require that management identify possible risks and set out processes to regularly monitor, assess, and reduce those risks. Well-documented risk assessments help ensure project risks are promptly addressed.

To ensure that new systems have adequate security, agencies must specifically ask the project teams to build adequate security into the new system. Project teams must plan for sound security processes at the planning stages to avoid additional costs to incorporate necessary security processes after implementation. The project managers have some processes to plan for adequate security in the new system. However, SGI did not have written evidence that it has addressed all key aspects of security. For example, SGI did not have a written strategy to plan, test, and implement adequate security for the new system. Management told us SGI plans to use its current security environment to ensure it has adequate security for its new system.

SGI should improve how it documents the planned tasks that the project team needs to complete for the project. SGI has developed an overall plan and timeline for the different phases of the project. Project managers also have a detailed list of the individual items that they need to develop as part of the system. However, they do not have a written detailed plan that shows the key steps, timing for completing all steps, and the documented inter-dependencies of those steps for all development activities.

SGI has developed a communication strategy for the analysis phase of the project. However, it has not yet documented its communication strategy for the remainder of the project. For example, SGI has not evaluated the effectiveness of its communication related to the analysis phase. Nor has it set out how it will communicate the remainder of the project to its staff, issuers of driver licenses and vehicle registrations, and the general public. A written communication strategy would help SGI to maintain stakeholder commitment to the project and the assist the project in meeting user needs.

2. For the Saskatchewan Auto Fund Redevelopment Project, we recommend Saskatchewan Government Insurance document its:

   - risks and strategies to manage the risks
   - strategy to plan, test and implement adequate security
   - communication strategy for keeping stakeholders adequately informed about the project

In April 2007, management told us it has now drafted a communication strategy.

Exhibit 2—Project management framework

The three general criteria of a strong project management climate are:

- management commitment to the project
- the project's ability to achieve its objectives and benefits
- good project management systems and practices

We will audit to these criteria based on the risk and scope of our project. We will use the Project Management Institute's standard titled *A Guide to the Project Management Body of Knowledge* as the management framework to support the above three criteria.

1. *Integration management*–the processes required to ensure that the various elements of a project are properly co-ordinated.

2. *Scope management*–the processes involved in determining what the users need, how the needs will be met and verifying if they are met.

3. *Time management*–the processes to plan, schedule, and control the project's activities to help get the project done on time.

4. *Cost management*–the processes to plan, estimate, and control the project costs.

5. *Quality management*–the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

6. *Human resource management*–the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

7. *Communication management*–the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

8. *Risk management*–the processes to identify, evaluate, plan, and respond to risks.

9. *Procurement management*–the processes to decide what to contract for tendering and selecting the best contractor; and negotiating, managing and closing the contract.

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Saskatchewan Telecommunications Holding Corporation

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Main points

Many of SaskTel's activities and services involve the use of intellectual property. Without appropriate rights to use—and protection of intellectual property—SaskTel would not be able to effectively carry on its businesses.

This chapter reports the results of our audit of how well SaskTel manages that intellectual property. SaskTel had adequate processes to manage intellectual property at November 30, 2006, except it should:

- develop a plan for managing intellectual property
- include intellectual property issues in its risk management framework
- consistently document intellectual property agreements with its subsidiaries
- establish centralized responsibility for maintaining original contracts
- implement a system to assist it to comply with the intellectual property rights it has acquired
- monitor its progress in achieving its plan for managing intellectual property

We also report the follow-up of our audit of SaskTel's governance of owned and controlled companies. SaskTel has addressed our recommendations.

Also, for the year ended December 31, 2006, SaskTel and its related companies and pension plan had reliable financial statements, had adequate processes to safeguard public resources, and complied with authorities governing their activities.

Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) provides telephone, cell phone, internet, and e-business services. SaskTel provides these and other services, such as telephone directories and home security, through its many different companies.

Related companies and pension plan

At December 31, 2006, SaskTel owned the following companies with active operations (percentage of SaskTel's ownership is set out in parenthesis):

- Saskatchewan Telecommunications (100%)
- Saskatchewan Telecommunications International, Inc. (100%)
- DirectWest Corporation (100%)
- DirectWest Canada, Inc. (100%)
- SecurTek Monitoring Solutions Inc. (100%)
- Hospitality Network Canada Inc. (100%)
- Saskatoon 2 Properties Limited Partnership (70%)
- The Phone Book Company Partnership (85%)

Also, SaskTel sponsors and administers the Saskatchewan Telecommunications Pension Plan.

For a full listing of the companies owned by SaskTel, refer to the notes to its audited financial statements. Each year, SaskTel gives its annual report including its audited consolidated financial statements and the audited financial statements of each of the above-listed companies and pension plan to the Legislative Assembly. For additional information on SaskTel and its companies, see SaskTel's website at www.sasktel.com.

Audit conclusions

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel and the above-listed companies and pension plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] KPMG LLP and our Office formed the following opinions.

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the year ended December 31, 2006:

- The financial statements of SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan are reliable.

- SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan (except for DirectWest Canada Inc.) had adequate rules and procedures to safeguard public resources. Due to the recent start up of DirectWest Canada, Inc., we plan to form an opinion on its rules and procedures to safeguard public resources starting with the year ended December 31, 2007.

- SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

In this chapter, we also include the results of our audit of SaskTel's processes to manage intellectual property and a follow-up of our audit of SaskTel's governance of owned and controlled companies.

Processes to manage intellectual property

To deliver services and achieve their objectives, agencies must effectively manage their assets. This includes not only their physical assets, but also intangible assets including intellectual property. Intellectual property refers to the creations of the mind, such as inventions, symbols, names, pictures and designs. Patents, trademarks, copyrights, and industrial designs are examples of specific rights regarding intellectual property.[2]

As we outlined in our earlier chapter on intellectual property (2006 Report – Volume 1), there is increasing recognition of the importance of intellectual property. Agencies, including those in the public sector, are increasingly taking steps to identify their intellectual property assets and to protect and exploit those assets.

[2] Canadian Intellectual Property Office, p.3.

Agencies also require effective processes to identify and manage risks related to their use of others' intellectual property. As demonstrated in high-profile claims and litigation, offending the intellectual property rights of others can damage the interests and reputation of an agency.

Intellectual property at SaskTel

Intellectual property is important to SaskTel. SaskTel uses intellectual property in many ways in carrying on its businesses: providing telephone, cell phone, internet, and television services, and providing telephone directories and home security to its customers.

SaskTel has its own intellectual property that it needs to manage. It does this, for example, by protecting those rights under the law or by deciding whether to exploit those rights by contracting with others. Examples of this intellectual property include software products such as Martens (a software program for managing facilities) and trademarks (protecting SaskTel's name and symbols).

SaskTel also uses the intellectual property of others. SaskTel must obtain rights to use the hardware and software that enable it to deliver services. For example, SaskTel purchases licenses to use software from other companies, such as Oracle and Microsoft. SaskTel also pays for the right to distribute television and movies to its customers and other distributors.

Many of SaskTel's activities and services involve the use of intellectual property. Without appropriate rights to use and protection of intellectual property, SaskTel would not be able to effectively carry on its businesses. This chapter reports the results of our examination of how well SaskTel manages that intellectual property.

Assessing SaskTel's processes

The objective of our audit was to assess whether SaskTel had adequate processes to manage intellectual property at November 30, 2006. While SaskTel owns or controls many agencies (subsidiaries), we focused our examination at the parent because most activities related to managing intellectual property take place there. Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

To assess the adequacy of SaskTel's processes to manage intellectual property, we used the criteria set out in Exhibit 1. SaskTel accepted the criteria as a reasonable standard for assessing its processes. We reported these criteria in our 2006 Report – Volume 1.

Exhibit 1

Adequate processes to manage intellectual property include:

- Leadership and corporate support
- Identification of intellectual property
- Management of ownership
- Monitoring and protection
- Evaluation and reporting

Primary source: Australian National Audit Office, *Intellectual Property Policies and Practices in Commonwealth Agencies*

We concluded that at November 30, 2006, SaskTel had adequate processes to manage intellectual property except for the matters described in the recommendations below.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and key findings for our five criteria, together with our recommendations.

Leadership and corporate support

We expect agencies to be committed to managing intellectual property to ensure that it is protected and available for use.

Senior management is accountable for intellectual property held or used by the agency. An intellectual property policy helps define the importance of intellectual property to the agency. An agency should use its policy to align how it manages intellectual property with the agency's strategic objectives and the risks it faces. The agency's intellectual property policy should set out the principles and criteria by which intellectual property assessments are made and identify who is responsible for making them. The policy should set out who is responsible for developing, approving, and maintaining the agency's intellectual property plan.

The intellectual property plan should define the types of intellectual property that the agency will need to identify and actively manage. The plan should reflect the importance of particular intellectual property to the objectives of the agency. This helps determine the amount of active management needed for that intellectual property.

The plan should include appropriate training (i.e., awareness and education activities) on intellectual property issues. It should also allocate sufficient resources to manage the agency's intellectual property needs. The policy and the plan should be communicated throughout the agency.

SaskTel has policies and procedures that address intellectual property rights. In its policies and procedures, SaskTel asserts its right to intellectual property created by employees and contractors. It also makes clear its corporate position that it will respect the intellectual property rights of others. These principles guide corporate decisions on intellectual property.

SaskTel does not explicitly assign responsibility for managing intellectual property issues. SaskTel does not have a central plan for intellectual property. Absence of a central plan may mean risks and opportunities are not identified.

SaskTel has a formal risk management framework. The framework does not include explicit consideration of intellectual property-related risks. Consequently, SaskTel may not consider some of these risks. However, SaskTel also has controls that reduce intellectual property-related risks. These include the involvement and expertise of the legal department.

Generally, SaskTel makes employees aware of intellectual property issues through a number of corporate policies including a code of business conduct. SaskTel specifically draws these to the attention of employees when they are hired and during annual performance evaluations. SaskTel does not have other broadly-attended education activities on intellectual property. Some staff (e.g., corporate lawyers) receive training on intellectual property issues and gain relevant knowledge by attending conferences.

Resources for managing intellectual property assets are included generally in division budgets.

1. **We recommend that SaskTel should develop a plan for managing intellectual property. The plan should:**
   - **identify intellectual property assets**
   - **be proportionate to importance of intellectual property assets to the objectives and risks of SaskTel**
   - **describe approach/activities to manage intellectual property assets and risks**
   - **include training and resource allocation**

SaskTel management told us it will prepare a plan for managing intellectual property for approval by the SaskTel Executive. Management said it will provide a copy of the plan to a committee of the Board for information purposes as part of the follow-up to the audit.

2. **We recommend that SaskTel include intellectual property issues in its risk management framework.**

SaskTel management told us its risk management group will include questions on intellectual property risks and liabilities in risk reviews conducted in 2007. Management said that it provides the risk reviews to the SaskTel Board annually.

Identification of intellectual property

We expect agencies to identify and record significant intellectual property.

To manage intellectual property appropriately requires knowledge of the intellectual property used by the agency. Intellectual property may be obtained from external parties through purchase or licence agreements. Intellectual property may also be developed by the agency.

Agencies need to determine the significance of the identified intellectual property to the strategic objectives of the agency. Agencies need to record significant intellectual property centrally. This should include a description of the intellectual property and where, when, and by whom it was created/purchased, the details of ownership rights (e.g., owned, licensed), who holds the intellectual property, who is directly responsible for its management, and the status of any protection. Documenting this information centrally helps ensure that intellectual property is appropriately managed across operating areas.

To manage intellectual resources adequately to achieve objectives, appropriate staff need access to this information. This awareness and informed use of intellectual property helps avoid duplication.

SaskTel does not have a central record of intellectual property assets. Without centrally identifying significant intellectual property (describing where, when, and by whom it was created/purchased, the details of ownership, who holds the intellectual property, who is directly responsible for its management, and the status of any protection), SaskTel risks not appropriately managing intellectual property across operating areas. SaskTel's legal department keeps a list of trademarks and of patents.

SaskTel also has experienced employees who, over time, have built their knowledge of SaskTel's intellectual property. This knowledge assists SaskTel in managing intellectual property. But this corporate knowledge is vulnerable to loss as SaskTel faces the same succession and staffing challenges facing all businesses in the province.

Management of ownership

We expect agencies to determine the appropriate level of ownership of intellectual property and secure that level of ownership.

In its management of ownership decisions for intellectual property, an agency will likely require different levels of ownership (i.e., levels of rights and interests) for different intellectual property assets. The amount of control required over the intellectual property relates to the use of the property to further the objectives of the agency. Management decisions on ownership range from full ownership (e.g., develop, buy), to rights to use (e.g., license), to rights to use and modify (e.g., license then change property) to other combinations resulting in less than full ownership.

Intellectual property issues are best approached before the creation/purchase of specific intellectual property. Therefore, the agency should consider intellectual property ownership issues before property is acquired, contracts are signed, tenders are invited, or consultants are hired.

Intellectual property issues should be a standard part of the agency's processes. For example, ownership rights and clauses should be clearly

stated in contracts with outside parties and employees. These contracts should also include non-disclosure and confidentiality clauses where necessary.

To manage ownership of intellectual property, staff need to be aware of potential issues and receive appropriate training.

SaskTel has a wide range of intellectual property rights. Senior management told us that SaskTel's general approach has been to acquire the rights it needs from others, rather than focusing on developing its own solutions in-house. Senior managers were aware of this approach although it was not well documented. SaskTel does not have a systematic approach for identifying and exploiting intellectual property opportunities.

SaskTel addresses intellectual property issues and concerns in many of its processes. As noted, SaskTel has policies and corporate procedures that specifically consider intellectual property. SaskTel's code of business conduct specifies that employees should respect copyright laws. This is also reflected in a policy that sets out SaskTel's expectation that it will protect the rights of others and describes how it will do so. Both the code of business conduct and other corporate procedures also provide that intellectual property developed by employees will belong to SaskTel.

SaskTel's approach to intellectual property is also reflected in templates and model documents. For example, hiring forms and annual performance evaluation forms for employees have a sign-off for supervisors to record that they have reminded staff of their obligations. A corporate procedure sets out the requirement that employment contracts must address intellectual property issues.

SaskTel has other relevant management controls, including a due-diligence checklist that considers intellectual property when evaluating business acquisitions. SaskTel also has formal legal review and contract approval processes.

Contracts generally included some provisions relating to intellectual property. Senior managers told us that when they evaluate contracts, they consider whether they should contract for subsidiaries separately and, if dollar amounts are high, whether SaskTel should obtain rights to the

intellectual property beyond just the right to use the product. SaskTel has successfully negotiated for such rights.

SaskTel does not have a consistent approach regarding agreements between SaskTel and its subsidiaries for intellectual property. Such agreements help in managing intellectual property and also help protect rights. Also, SaskTel does not have a central repository for all contracts. Therefore, SaskTel has risk that it may lose or not be able to find certain contracts, including original contracts, when needed.

3. We recommend that SaskTel consistently document intellectual property agreements with its subsidiaries.

SaskTel management told us that it will consistently document intellectual property agreements with its subsidiaries on a go forward basis.

4. We recommend that SaskTel establish centralized responsibility for maintaining original contracts.

SaskTel management told us it will establish centralized responsibility for the contract repositories for all original contracts. Management told us that centralized responsibility will include annual reviews with the keepers of the repository to ensure that all contracts are being kept for safekeeping, ensure the contracts in question are kept secure and are properly managed whenever someone needs to view an original contract, and that the contracts are properly handled from a records retention perspective.

Monitoring and protection

We expect agencies to monitor and protect intellectual property.

Agencies need to monitor their use of intellectual property that they own or have secured rights to use. Agencies also need to monitor others' use of agency-owned intellectual property (i.e., that they have commercialized). Agencies must monitor potential infringement of intellectual property rights, by the agency or by others, and appropriately address any identified infringement issues.

An understanding of the issues and processes to seek advice and make decisions can help ensure intellectual property is appropriately protected. It can also significantly lower the risk of agency infringement of others' intellectual property rights.

To monitor its use of others' intellectual property, SaskTel needs to know what it has the right to use and what it is actually using. It does not have adequate processes to do this. While SaskTel does have a system intended to track software licenses, it does not consistently collect and record information in the system. Also, SaskTel does not systematically check the number of instances that licensed applications are in use. Unless it can determine whether it is complying with the rights that it has obtained, SaskTel cannot take steps to address any issues.

SaskTel has relatively few intellectual property assets that it has sought to sell or license to other agencies. SaskTel uses contracts to protect its right to monitor use of its intellectual property. For certain intellectual property, SaskTel has employed an agent to specifically identify use by others that infringes on SaskTel's rights.

5. We recommend that SaskTel implement a system to assist it to comply with the intellectual property rights it has acquired.

SaskTel management told us it intends to direct consistent use of the tracking system in place to enable it to adhere to the contractual commitments it has made with respect to the intellectual property rights it has acquired from third parties. SaskTel management told us that in this regard, SaskTel will also be considering in 2007 the purchase of a new system to aid in tracking and complying with these contractual commitments.

Evaluation and reporting

We expect agencies to evaluate and report on both the performance of their intellectual property assets and the effectiveness of their processes to protect and, if applicable, exploit those assets.

Agencies should assess the effectiveness of their intellectual property management processes. Key intellectual property assets should be managed with the same attention given to tangible assets. The processes

should reflect the relative importance of the intellectual property assets to the strategic objectives of the agency and the risks it faces.

Regular reporting can identify opportunities for improvement and the need for revised intellectual property management strategies. Failure to regularly report on an agency's intellectual property results in less agency control over and accountability for intellectual property and can reduce the effective protection and development of these assets.

As indicated above, SaskTel does not have a documented plan for intellectual property. Nor does it have a central record of intellectual property assets. As a result, it is not able to systematically monitor or evaluate the performance of these assets. SaskTel does have extensive processes for assessing the performance of its businesses.

SaskTel does not formally evaluate or report on the effectiveness of its intellectual property processes. Management advised us that it evaluates the effectiveness of its processes in part by assessing the extent to which SaskTel has been involved in related litigation.

Reporting on the performance of intellectual property (for example, in areas like development activities, cost and method of acquisition, revenue generation, commercialization activities, enforcement, awareness activities) would allow SaskTel to assess progress against plan. Reporting on the effectiveness of their intellectual property processes would allow SaskTel to know if related risks are adequately managed.

6. We recommend that SaskTel monitor its progress in achieving its plan for managing intellectual property.

SaskTel management told us that it intends to annually bring forward an item to the SaskTel Executive that will present to the Executive the progress that SaskTel is making with regard to its intellectual property plan.

SaskTel's governance of owned and controlled companies—a follow-up

SaskTel operates its businesses in a complicated organizational structure that involves many separate companies. In 2004, we examined whether

SaskTel had adequate processes to govern the companies it owned and controlled. We reported the results of the audit in our 2004 Report – Volume 1, Chapter 5. We made recommendations aimed at improving how SaskTel communicated governance expectations to the companies it owned and controlled, and how SaskTel assessed the effectiveness of the boards of these companies.

We followed up the audit in 2005 and reported the results of the follow-up in our 2005 Report – Volume 1, Chapter 13. We noted SaskTel had made improvements. However, some of our recommendations remained outstanding. In the area of communicating governance expectations, we continued to recommend that SaskTel:

- regularly highlight where its Board delegates to the President of SaskTel authority to name board members of SaskTel's companies
- ensure that companies it controls, or plans to control, are subject to shareholder agreements and articles of incorporation that reflect the governance expectations placed on SaskTel

In the area of assessing the effectiveness of the boards of owned or controlled companies, we continued to recommend that SaskTel:

- document the governance risks and identify levels of governance risk that are acceptable for each company
- require each company to provide the SaskTel Board with its evaluation of its board

The Legislative Assembly's Standing Committee on Crown and Central Agencies considered our recommendations in November 2006 and agreed with them.

In March 2007, we assessed SaskTel's actions to address our remaining recommendations. SaskTel has met our recommendations. We set out the results of our work below.

Communicating governance expectations

SaskTel has modified a report that it provides annually to SaskTel's Board. The report summarizes the compliance of SaskTel's companies with governance expectations set out by the Crown Investments Corporation of Saskatchewan. The report now explicitly highlights the extent to which the SaskTel Board has delegated to the President of SaskTel the authority to name board members of SaskTel's companies.

SaskTel uses a due diligence checklist in considering and carrying out businesses acquisitions. The checklist requires review of articles of incorporation and shareholder agreements. In addition, SaskTel told us that it will be modifying the base documents it uses to draft or modify shareholder agreements to alert its lawyers to the governance matters that need to be considered.

Assessing board effectiveness of owned and controlled companies

SaskTel regularly and formally considers risks including for the companies they own and control. SaskTel told us it plans to include governance-related risks as part of its review of legal risks.

SaskTel now requires the companies it owns and controls to provide board evaluations to the SaskTel Board. The Governance Committee of the SaskTel Board receives these evaluations.

Selected references for processes to manage intellectual property

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Saskatchewan Transportation Company

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Main points

Reporting of results is evolving both within agencies and publicly. Meaningful information about results helps management, boards of directors, and legislators carry out their oversight responsibilities.

Users also want to know if they can rely on the information included in annual reports. Auditing performance information fosters accurate, complete, and credible reports and helps agencies improve the processes used to prepare these reports.

Saskatchewan Transportation Company (STC), in common with other Saskatchewan agencies, continues to provide better information on its performance to legislators and the public in its annual reports.

In this chapter, we report on the results of our audit of STC's performance information (called the 2006 Balanced Scorecard) included in its 2006 Annual Report. We are pleased to report that STC's 2006 Balanced Scorecard is prepared in accordance with the reporting principles of reliability, understandability, and consistency. STC's 2006 Annual Report includes our unqualified audit opinion on its Balanced Scorecard.

Also, we make two recommendations to help STC improve the processes it uses to prepare information presented in its balanced scorecard reports.

Introduction

Saskatchewan Transportation Company (STC) provides Saskatchewan communities with bus passenger and freight services. It operates 28 bus routes and three passenger and express depots.

Our audit conclusions and findings

Meyers Norris Penny LLP is the appointed auditor for STC. Our Office and the appointed auditor worked together using the framework recommended by the *Report of the Task Force on the Roles, Responsibilities, and Duties of Auditors.*[1] The appointed auditor and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2006:

- STC had adequate rules and procedures to safeguard public resources
- STC complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the financial statements of STC are reliable

In the next section, we report the results of our audit of the balanced scorecard information that STC reported in its 2006 Annual Report.

STC makes its annual reports publicly available as corporate information on its website at www.stcbus.com. The 2006 Annual Report includes our audit opinion on the 2006 Balanced Scorecard.

Balanced scorecard—background

In 1997, some of Saskatchewan's Crown corporations began to use the "balanced scorecard" approach to report progress in achieving their goals.[2] STC adopted this approach in 1998.

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.
[2] Provincial Auditor Saskatchewan 1999 Spring Report, Chapter 1, p.4.

The balanced scorecard approach[3] helps agencies to plan and monitor their results to achieve their vision. The balanced scorecard usually contains four perspectives:

1. financial
2. customer
3. business process
4. learning and growth

Saskatchewan's Crown corporations have slightly modified this approach.

STC develops its plans (strategic and business) in consultation with Crown Investments Corporation of Saskatchewan (CIC). It develops a set of financial and non-financial measures of performance, setting a target for each measure. It tracks its actual results against its targets. STC provides its senior management and board with quarterly reports on its performance, referring to these reports as its "balanced scorecard." Further, since 1998, STC has presented its performance information in its annual report using the balanced scorecard.[4]

STC organizes the information presented in its balanced scorecard into the following five broad goal areas:

1. We meet the needs of our customers (customer perspective)
2. We are a good corporate citizen (public policy perspective)
3. We are a fiscally responsible and accountable company (financial perspective)
4. We are a high-quality employer (learning and growth perspective)
5. We are improving and innovating (business perspective)

Since 2005, STC has used a generally consistent set of measures to evaluate its performance. In 2006, STC tracked and reported on 42 measures in its balanced scorecard report. In late 2006, as a part of its planning process, STC adopted five new measures and discontinued use of 28 measures. In 2007, it plans to track and report publicly on 19 measures.

Our audit objective and approach

The objective of this audit was to conclude whether the Saskatchewan Transportation Company's Balanced Scorecard, as reported in its 2006

[3] Robert S. Kaplan, David P. Norton, The BSC: Translating Strategy into Action.
[4] Provincial Auditor Saskatchewan 1999 Spring Report, Chapter 5, p.81.

Annual Report, was prepared in accordance with the reporting principles of reliability, understandability, and consistency.[5] We did not assess the fairness or relevancy of the measures (that is, whether the measures were the best measures to objectively assess performance).

We based our criteria on practices recommended by The Canadian Institute of Chartered Accountants for public performance reporting (Exhibit 1). STC agreed with the criteria.

Exhibit 1—audit criteria

Performance information reported in the Balanced Scorecard:

1. Is reasonably reliable
   - 1.1. is free from significant error
   - 1.2. is free from significant omissions
   - 1.3. is produced by systems that control quality
   - 1.4. represents what it claims to represent (e.g., calculation methods reflect defined measures)

2. Is reasonably understandable
   - 2.1. is appropriately explained
   - 2.2. provides the source of key data (e.g., information system or agency)
   - 2.3. discloses data limitations, if any
   - 2.4. discloses unusual events or circumstances impacting results

3. Is reasonably consistent
   - 3.1. is prepared using consistent policies or practices
   - 3.2. compares results to prior or expected results
   - 3.3. explains if results are comparable to prior period

Source: The Canadian Institute of Chartered Accountants, Public sector statement of recommended practice, SORP-2, Public Performance Reporting, September 2006

To do our audit, we followed Standards for Assurance Engagements of The Canadian Institute of Chartered Accountants.

The information in annual reports is the responsibility of management (see Exhibit 2). Management is responsible for the integrity and objectivity of the performance information reported in the balanced scorecard. We expected STC to maintain appropriate systems of internal controls and procedures.

[5] CICA, Statement of recommended practice – public performance reporting, SORP-2 (September 2006)

We examined the systems that STC uses to present reliable, understandable, and consistent information in its balanced scorecard reports. We obtained an understanding of these systems and evaluated whether they operated as STC intended. In addition, we tested the completeness and accuracy of the information in STC's Balanced Scorecard (reported in its 2006 Annual Report) and whether the information was understandable.

Conclusion

We concluded that the information presented in Saskatchewan Transportation Company's Balanced Scorecard, as reported in its 2006 Annual Report, is prepared in accordance with the reporting principles of reliability, understandability, and consistency.

Exhibit 2 at the end of this chapter is a copy of our auditor's report and management's report of responsibility for reporting on performance.

The following describes our significant findings with respect to the systems STC used to prepare information presented in its 2006 quarterly and annual balanced scorecard reports. It also sets out, in italics, what we expected.

Findings by criterion

Reasonably reliable balanced scorecard results

To produce reliable results, we expected STC to use systems that ensure its balanced scorecard information is reasonably accurate and complete (i.e., has no major errors or omissions). We anticipated STC would collect and protect related data in a way that would control the quality of the data. We expected STC to take steps to ensure reported results fairly represent the related objective and measure.

Each quarter, STC prepared balanced scorecard reports for its senior management and board. STC prepared these reports using processes that produce reliable results for most measures. STC calculated its results to properly represent what they claimed to measure. For example, to represent the measure for safety training, STC counted employees who took safety-related courses including first aid, back care/lifting, working

with hostile customers, safe driving, and transporting dangerous goods. It also used reasonable processes to secure its data about results.

However, for some measures, STC needs better processes to control the quality of the information it collects and to make sure it analyzes the information accurately and consistently. In its third quarter balanced scorecard, STC reported results for 81% of its measures accurately and completely; the results for the remaining measures contained small differences. These differences occurred because STC did not clearly document the definitions and/or methods used to calculate the measures. In addition, STC did not always expect staff to review the accuracy of the calculated results prior to finalizing its report. In a few cases, the results reported in the third quarter were not correct. For its 2006 Annual Report, management reviewed the accuracy of the data when preparing the balanced scorecard information for its 2006 annual report.

STC's balanced scorecard information, as reported in its 2006 annual report, is reliable and represents fairly its stated objectives and measures. The methods that STC used to calculate its results were reasonable.

1. We recommend the Saskatchewan Transportation Company set out, in detailed procedures, how it defines and calculates each measure presented in its balanced scorecard reports.

2. We recommend the Saskatchewan Transportation Company require staff to review the accuracy of balanced scorecard results before reporting them.

Management is developing a policy that will improve its balanced scorecard processes.

Reasonably understandable balanced scorecard results

To help ensure the information reported is understandable, we expected STC to report its balanced scorecard information in a way that reasonably informed readers could understand. We expected STC to state the source of the data (e.g., survey, internal information system, external source) and disclose significant limitations (e.g., data based on very small surveys, gaps in data). We also expected STC to explain major events or situations that influenced the results.

STC provided information in its balanced scorecard reports in an understandable manner. Over half of its 42 measures were relatively simple (e.g., number of agents, subsidy per mile, minimum miles travelled). STC described its measures using clear language and usually disclosed major factors that would influence the results.

In its 2006 third quarter report, STC adequately explained its results for most of its 42 measures. It did not clearly explain results for two measures, making it difficult to understand these results. For example, STC did not explain that its count for the equity target group "persons with disabilities" includes only employees who signed a self-declaration form and excludes two employees receiving long-term disability benefits. STC improved the explanations for these measures in its 2006 annual report.

STC adequately explained key terms and the reasons for key differences between actual and planned results. It also disclosed changes in measures from the prior year. For most measures, it disclosed the source of the data (e.g., a summer survey of passengers). STC disclosed limitations to the balanced scorecard information when, in its judgment, the information did not fully conform to the reporting principles.

Reasonably consistent balanced scorecard results

We expected STC to use processes to provide balanced scorecard information on a consistent basis. For each measure, we expected STC to compare its reported result to a planned result or target. We expected that for each measure, STC would calculate the target and the reported result in the same way. We also expected STC to calculate its results in the same way as in prior years (or, if not, explain the change).

In its quarterly and annual reports, STC compared results for each measure to a planned goal or target using reasonably consistent methods to calculate the target and the result. It advised readers of significant changes (e.g., changes in how it defined a measure or calculated the result) except in one instance. For its 2006 third quarter report, STC calculated third quarter results for its customer satisfaction measure using different survey questions than used previously. It did not explain the change in the third quarter report. STC advised readers of this change in its 2006 annual report (e.g., "a change in the survey instrument in 2006

meant this was scored using the percentage of those who said their satisfaction with the service was increasing").

Management responsibility and audit report for 2006

In Exhibit 2, we provide a copy of management's report entitled "Management Responsibility for Reporting on Performance." We also provide a copy of our "Auditor's Report on STC's Balanced Scorecard for 2006." STC presented both of these reports in its 2006 Annual Report.

Exhibit 2

Management Responsibility for Reporting on Performance

Management has presented the performance information in the Balanced Scorecard so that it is, to the best of our ability, reliable (that is, reasonably free of errors or omissions and represents what it claims), consistent (that is, prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets), and understandable. To provide a better understanding of the information, management defined terms and calculations, and disclosed limitations.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfil this responsibility, the Company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information presented is reliable and consistent.

On behalf of the Company, on March 22, 2007

[signature]
Ray Clayton, President & CEO

Auditor's Report on STC's Balanced Scorecard for 2006

To the Members of the Legislative Assembly of Saskatchewan

I have audited the information in STC's Balanced Scorecard for 2006. The information is prepared in accordance with the reporting principles of reliability, understandability, and consistency as described in Management Responsibility for Reporting on Performance.

The information is the responsibility of STC's management. My responsibility is to express an opinion on the reliability, understandability, and consistency of the information based on my audit. My audit was not designed to provide assurance on the relevance of the measures used or the appropriateness or fairness of information reported in the Balanced Scorecard.

I conducted my examination in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the Balanced Scorecard information and related disclosures. An audit also includes assessing the principles used and the significant judgments made by management, as well as evaluating the overall presentation of the information reported in the Balanced Scorecard.

In my opinion, the Balanced Scorecard information STC has reported presents fairly, in all material respects, STC's results for 2006 in accordance with the reporting principles of reliability, understandability, and consistency as described in Management Responsibility for Reporting on Performance.

Public reporting of results is evolving and situations can arise that prevent full compliance with the reporting principles. Management has disclosed limitations to the Balanced Scorecard information when, in their judgment, it does not fully conform to the reporting principles. Management has fairly stated the limitations and why they exist. Readers are encouraged to use the Balanced Scorecard information to evaluate STC's results, keeping in mind the information's limitations.

[signature]
Fred Wendel, CMA, CA
Provincial Auditor
March 22, 2007 Regina, Saskatchewan

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Standing Committee on Crown and Central Agencies

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Main points

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations; supply and services; central agencies; liquor; gaming; and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. The Government has implemented most of the Committee's recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We also highlight some of its recent activities. In the Exhibit, we set out the status of the Committee's outstanding recommendations.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies is one of the Assembly's four policy field committees. Policy field committees are responsible for examining various documents referred to them by the Assembly. These documents include bills and regulations (proposed laws), annual budget Estimates, and annual reports. Policy field committees can also conduct inquiries into matters within their mandates.

This Committee's mandate is to consider matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations; supply and services; central agencies; liquor; gaming; and all other revenue-related agencies and entities. At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee.

The Committee focuses on corporations that receive revenues from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Assembly refers the annual reports and financial statements of CIC and its corporations to the Committee. The Committee uses these reports to review the corporations' operations. Also, the Assembly refers the Provincial Auditor's reports (or parts thereof) that relate to CIC and its corporations to the Committee.

The Committee also requires CIC and its corporations to submit reports of their significant transactions. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis. During 2006-07, the Committee received four significant transaction reports.

Our Office attends meetings of the Committee to help it with its reviews. The Committee also invites each corporation's appointed auditor to help the Committee with its review.

Crown corporation officials and the Minister responsible for the corporation attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Its website (www.legassembly.sk.ca/committees/) contains information about the composition of the Committee and records of the Committee's meetings (i.e., Hansard verbatim, minutes, videos, and reports).

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable Government and in better management of Government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The following members served on the Committee during 2006-07:

- Honourable Graham Addley
- Dan D'Autremont, Deputy Chair
- Dustin Duncan (from October 16, 2006)
- Donna Harpauer
- Allan Kerpan (to October 16, 2006)
- Hon. Warren McCall (from October 16, 2006)
- Sandra Morin, Chair
- Hon. Mark Wartman
- Kevin Yates (to October 16, 2006)

Committee activities

During 2006-07, the Committee met 17 times. It reviewed various Estimates and bills, and issued three reports thereon to the Assembly. Also, the Committee reviewed the 2004 and 2005 annual reports of the following corporations:

- Crown Investments Corporation of Saskatchewan
- Information Services Corporation of Saskatchewan
- Investment Saskatchewan Inc.
- Saskatchewan Government Insurance
- Saskatchewan Opportunities Corporation
- Saskatchewan Power Corporation
- Saskatchewan Telecommunications
- Saskatchewan Transportation Company

In addition, it considered the following Provincial Auditor reports.

- 2004 Report – Volume 1, Chapters 2, 4, 5, and 6
- 2005 Report – Volume 1, Chapters 13, and 14
- 2006 Report – Volume 1, Chapters 9, 10, 11 and 13

The Committee did not report to the Legislative Assembly during the year on its review of annual reports or Provincial Auditor reports.

Status of recommendations

The Committee's reports (and those of the predecessor Standing Committee on Crown Corporations) contain recommendations, some of which take more than one year to implement. Each year, we follow up and report on their status. The Government has not implemented three recommendations included in our last update (see our 2006 Report – Volume 1, Chapter 14). The Exhibit lists these and four new recommendations outstanding as at December 31, 2006 that the Committee has concurred with. We encourage the Government to implement these recommendations.

We classify the outstanding recommendations as follows:

1. **Committee concurs** – These are our Office's recommendations that the Committee agrees with and supports. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4-1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

2. **Committee recommends** – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the exhibit, these recommendations are identified by a bold number (e.g., **1**.) preceding them.

3. **Committee considered** – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

For each outstanding recommendation, we assess the status of the recommendation and indicate whether it is not implemented or partially implemented using the following criteria:

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Exhibit—Outstanding recommendations

Report Year	Outstanding Recommendation	Status
Third Report of the 3rd Session of the 24th Legislature – tabled December 9, 2002		
2001 Spring	The Committee concurs: 11-1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	**Not implemented.** Legislative amendments have not been made.
2001 Spring	The Committee concurs: 11-4 The Government should change current laws to: - require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares - require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	**Not implemented.** Legislative amendments have not been made.
Fourth Report of the 1st Session of the 25th Legislature – tabled May 24, 2005		
2004 Report Vol. 1	The Committee concurs: 7-1 CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate.	**Partially implemented.** CIC has approved new limits that will apply to CIC and each of its subsidiaries. It has made the necessary legal changes for three Crown corporations to date.

Report Year	Outstanding Recommendation	Status
	Minute No. 42, January 10, 2007	
2006 Report Vol. 1	The Committee concurs: 9-1 SaskPower should expand its risk management framework to include risks related to electricity generation.	**Not implemented.** We plan to follow up on this recommendation in late 2007.
	The Committee concurs: 9-2 SaskPower should document its procedures for preparing its analysis of electricity needs and its ability to meet those needs.	**Not implemented.** We plan to follow up on this recommendation in late 2007.
	The Committee concurs: 9-3 SaskPower should use its new strategic plan to assess alternative strategies that address identified infrastructure needs.	**Not implemented.** We plan to follow up on this recommendation in late 2007.
	The Committee concurs: 9-4 SaskPower should document the nature and extent of specific infrastructure risks that it accepts when it approves projects.	**Not implemented.** We plan to follow up on this recommendation in late 2007.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2005*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3; 2005, c.L-112, s.97.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, "**appropriation**" means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13;2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at December 31, 2006.

This Appendix includes the status of those audits at March 31, 2007. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2006 Rpt V2
Departments and Secretariats:			
Department of Advanced Education and Employment	March 31	Note 4	
Department of Agriculture and Food	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Department of Community Resources	March 31	Complete	Yes/2006 Rpt V3
Department of Corrections and Public Safety	March 31	Complete	Yes/2007 Rpt V1
Department of Culture, Youth and Recreation	March 31	Complete	No
Department of Environment	March 31	Complete	Yes/2006 Rpt V3
Department of Finance	March 31	Complete	Yes/2006 Rpt V2 & V3 & 2007 Rpt V1
Department of First Nations and Métis Relations	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Department of Government Relations	March 31	Complete	Yes/2006 Rpt V3
Department of Health	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Department of Highways and Transportation	March 31	Complete	Yes/2006 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/2006 Rpt V3 & Note 2
Department of Justice	March 31	Complete	Yes/2006 Rpt V3
Department of Labour	March 31	Complete	Yes/2006 Rpt V3
Department of Learning	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Department of Northern Affairs	March 31	Complete	Yes/2006 Rpt V3
Department of Property Management	March 31	Complete	Yes/2006 Rpt V3
Department of Regional Economic and Co-operative Development	March 31	Complete	No
Executive Council	March 31	Complete	No
Information Technology Office	March 31	Complete	Yes/2006 Rpt V3
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Complete	No
617275 Saskatchewan Ltd.	December 31	Note 1	

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
675161 British Columbia Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 30	Note 4	
Board of Governors, Uranium City Hospital	March 31	Complete	No
Carlton Trail Regional College	June 30	Rotational	
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Equity Holding Corporation	December 31	Note 4	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Inc.	December 31	Note 1	
CIC Swine Genetics (NL) B.V.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Complete	No
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Note 3
Craik Enterprises Inc.	December 31	Note 1	
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Complete	No
Cypress Hills Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Esterhazy Holding, Inc.	December 31	Note 1	
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Gradworks Inc.	December 31	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 1	
Hygate Resources Ltd.	December 31	Note 1	
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Liquor Board Superannuation Commission, The	December 31	Delayed	
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2007 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	
Nokomis Holding (U.S.), Inc.	December 31	Note 1	
North Saskatchewan Laundry and Support Services Ltd.	March 31	Note 1	
North West Regional College	June 30	Rotational	
Northlands College	June 30	Complete	No
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
The Phone Book Company Partnership	December 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Prairie West Regional College	June 30	Complete	No
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2006 Rpt V3
Public Service Commission	March 31	Complete	Yes/2006 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2006 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2006 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Foundation	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2007 Rpt V1

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2006 Rpt V3 & 2007 Rpt V1
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Note 3
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2006 Rpt V3
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2007 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	Yes/2007 Rpt V1
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Rotational	
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2006 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Complete	Yes/2007 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Delayed	
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2007 Rpt V1
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 1	
Yellowgrass Holding, Inc.	December 31	Note 1	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources Central Trust Account	March 31	Complete	No

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	Yes/2007 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	Yes/2007 Rpt V1
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	Yes/2007 Rpt V1
Extended Health Care Plan for Retired Employees	December 31	Complete	Yes/2007 Rpt V1
Fiscal Stabilization Fund	March 31	Complete	Yes/2006 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2006 Rpt V3
Highways Revolving Fund	March 31	Inactive	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Note 4	
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2006 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	No
Office of the Rentalsman--Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2006 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	Yes/2007 Rpt V1
Public Employees Disability Income Fund	December 31	Complete	Yes/2007 Rpt V1
Public Employees Group Life Insurance Fund	December 31	Complete	Yes/2007 Rpt V1
Public Guardian and Trustee for Saskatchewan	March 31	Complete	Yes/2006 Rpt V3
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	No
SAHO Core Dental Plan	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Core Dental Plan	December 31, 2006	Delayed	
SAHO Disability Income Plan – CUPE	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Disability Income Plan – CUPE	December 31, 2006	Delayed	

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
SAHO Disability Income Plan – SEIU	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Disability Income Plan – SEIU	December 31, 2006	Delayed	
SAHO Disability Income Plan – General	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Disability Income Plan – General	December 31, 2006	Delayed	
SAHO Disability income Plan – SUN	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Disability Income Plan – SUN	December 31, 2006	Delayed	
SAHO Group Life Plan	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Group Life Plan	December 31, 2006	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO In-scope Extended Health/ Enhanced Dental	December 31, 2006	Delayed	
SAHO Master Trust Combined Investment Fund	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Master Trust Combined Investment Fund	December 31, 2006	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental	December 31, 2005	Complete	Yes/2007 Rpt V1
SAHO Out-of-scope Extended Health/ Enhanced Dental	December 31, 2006	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2006 Rpt V3
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No

Agency	Year end on or before December 31, 2006	Status at March 31, 2007[1]	Significant issues reported[2]
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Technology Supported Learning Revolving Fund (formerly Correspondence School Revolving Fund)	March 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2006 Rpt V3
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2006, these subsidiary corporations did not carry out active operations.

Note 2: For 2006, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 3: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 4: These agencies were recently created or became Crown agencies. March 31, 2007 and June 30, 2007 will be the first year-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

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[1] "Complete" – the audit was complete at March 31, 2007.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at December 31, 2006 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.
"Yes/2006 Rpt V2" – significant issues were reported in our 2006 Report – Volume 2.
"Yes/2006 Rpt V3" – significant issues were reported in our 2006 Report – Volume 3.
"Yes/2007 Rpt V1" – significant issues are reported in our 2007 Report – Volume 1.

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Appendix 3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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SASKATCHEWAN

News Release

Provincial Auditor

Auditor calls on agencies to be vigilant about public money

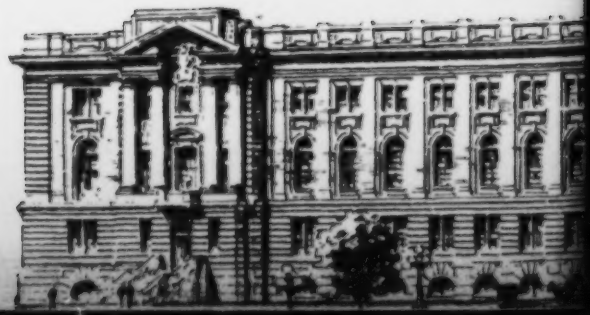
For release after the Report has been tabled

REGINA, May 14, 2007—"Public resources require careful management," says Provincial Auditor Fred Wendel. "When you are looking after public money, you will be held to a high standard." The Auditor made his comments in connection with the release of his 2007 Report—Volume 1. The report covers about 140 government agencies.

The Department of Corrections and Public Safety needs to follow government policies for handling cash and managing bank accounts. Failure to follow these policies allowed losses of money that the Department was holding for inmates and young offenders. The Department must follow its processes for confirming that its accounting records match bank records. The Department must also segregate duties among its employees. Segregating duties means separating responsibility for tasks to avoid putting employees in a position to commit error or fraud and conceal it.

The Saskatchewan Association of Health Care Organizations (SAHO) needs to improve how it safeguards assets, including assets of the benefit plans it administers for health workers. SAHO needs to improve how it monitors contributions to the plans, and it needs timely financial reports to help it make appropriate decisions. SAHO also needs to segregate duties among its employees. "Without adequate segregation of duties, losses can occur," said Wendel.

The report describes other audits in areas related to key risks that government agencies face. For example, to deliver services and achieve their objectives, agencies must effectively manage their assets. This includes not only their physical assets, but also intangible assets including intellectual property. SaskTel owns certain intellectual property rights, such as patents, trademarks, and copyright. It also licenses intellectual property rights from others, for example when it licenses software from another company. SaskTel uses intellectual property in many ways in its businesses. It needs an intellectual property plan. The plan will help it identify opportunities and manage risks, such as complying with restrictions in software licenses and agreements.

Government agencies must effectively manage the projects they undertake. The report describes the results of two audits of project management. SGI is replacing a major computer system that it uses to deliver services including vehicle insurance and registrations. SGI requires processes to monitor the benefits it expects from the new computer system. It also needs to document its strategies for managing project risk, security, and communications.

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